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CONTENTS

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INTERNATIONAL AFFAIRS

Bulgarian-CSFR Economic, Political Cooperation	[Sofia DEMOKRATSIYA 6 Apr]	1
Bulgarian-CSFR Friendship, Cooperation Treaty	[Sofia DUMA 8 Apr]	1

ALBANIA

Millions Spent on Publishing Enver Hoxha's Works	[TRIBUNA DEMOKRATIKE 29 Mar]	3
PR's Godo on Shortcomings, Future Tasks	[REPUBLIKA 29 Mar]	3
Alleged Hoti Party Chairmanship Claim Rejected	[TRIBUNA DEMOKRATIKE 29 Mar]	4
Chief of Staff Karoli on Visit to Greece	[Tirana Radio]	5
Article Deplores 'Dollarization' of Economy	[BASHKIMI 22 Mar]	5
Prices Freed To Stimulate Cotton Production	[RILINDJA DEMOKRATIKE 5 Apr]	6
Elbasan Pollution Deemed 'Acute'	[ZERI I RINISE 8 Apr]	7

BULGARIA

Few Bulgarians in Libya Want To Leave	[TRUD 8 Apr]	9
Democratic Center May Split Into 2 Blocs	[24 CHASA 6 Apr]	9
Navy To Cut Manpower 14 Percent by End 1993	[BULGARSKA ARMIYA 6 Apr]	9
Government Orders Competition for Management Posts	[DEMOKRATSIYA 4 Apr]	10
Statistics on Unemployment in Sofia City	[IKONOMICHESKI ZHIVOT 26 Feb]	10

CZECHOSLOVAKIA

Democrats '92 To Enter Elections Independently	[LIDOVE NOVINY 7 Apr]	12
DSP, HSD-SMS To Run Together in Elections	[RUDE PRAVO 6 Apr]	12
SNDM Chairman Interviewed on Slovak Sovereignty	[Bratislava Radio]	12
Slovak Council Discusses Banking, Loan Guarantee	[HOSPODARSKE NOVINY 7 Apr]	13
Tax System Changes for 1992 Summarized	[EKONOM 5 Mar]	13
Tax System Viewed, Reform Deemed Imperative	[EKONOM 19 Mar]	16
Czech Republic Minister on Privatization	[EKONOM 12 Mar]	18
Economic Turnaround Claimed by Zlin City Area	[HOSPODARSKE NOVINY 17 Mar]	22
Drug Trafficking, Russian Mafia Network Outlined	[MLADA FRONTA DNES 4 Apr]	22

HUNGARY

Horn Views Advantages of NATO Membership	[MAGYAR HIRLAP 9 Apr]	25
Constitutional Court Arguments on Zetenyi Law	[HETI VILAGGAZDASAG 7 Mar]	26
Modification of Constitutional Court's Authority	[NEPSZABADSAG 12 Mar]	27
Constitutional Court Head Answers Criticism	[NEPSZABADSAG 21 Mar]	27
Government Spokesman Responds to 'Etatist' Charges	[FIGYELO 12 Mar]	29
Antall's Review of Past 2 Years Criticized	[NEPSZAVA 9 Apr]	30
SZDSZ Officials on Opposition Party Platforms	[PESTI HIRLAP 8 Apr]	31
Hungarian Minority's 15 Mar Ceremony Described	[SZABAD UJSAG 16 Mar]	32
Budapest Envoy at Minority Conference in Slovakia	[MAGYAR HIRLAP 2 Mar]	32
Commercial Bank Reserves, Banking Law Discussed	[FIGYELO 12 Mar]	33
Individual Entrepreneurs' Income Tax Discussed	[FIGYELO 12 Mar]	35
GE Nuclear Power Plant Marketing Efforts	[FIGYELO 12 Mar]	37

POLAND

Center Alliance Chairman Kaczynski Interviewed	[GLOS SZCZECINSKI 20 Mar]	39
KLD's Tusk Discusses Coalition Talks	[ZYCIE WARSZAWY 4-5 Apr]	40

Party Squabbles in Voivodship Administrations	[GLOB 24, 21-23 Feb]	41
Church Territorial Organization, Reform Explained	[PRZEGLAD KATOLICKI 2-9 Feb]	42
Planck Institute Aide on Polish-German Ties	[GLOS PORANNY 2 Apr]	43
Defense Ministry Plans To Lease Firing Ranges	[GAZETA WYBORCZA 10 Mar]	45
New Arrangements in Ex-Soviet Trade Needed	[RYNKI ZAGRANICZNE 18 Feb]	46
Effect of Government Economic Program on Budget	[RZECZPOSPOLITA 25 Feb]	49
Russian Oil, Gas Import Quantities, Payments	[RYNKI ZAGRANICZNE 27 Feb]	49
Bank of Central Europe Considers Office in Warsaw	[RYNKI ZAGRANICZNE 29 Feb]	50
Polish-American Economic Meeting Previewed	[RYNKI ZAGRANICZNE 25 Feb]	50
EC Marketing Conference in Warsaw in Apr	[RYNKI ZAGRANICZNE 25 Feb]	51
Real Cost of Coal Calculated	[RZECZPOSPOLITA 25 Feb]	52
Kwidzyn Pulp-Paper Mill Privatization Dilemma	[GAZETA WYBORCZA 9 Mar]	54
Difficulties in Building Civic Society Viewed	[GLOB 24, 21-23 Feb]	56
POLITYKA Weekly News Roundup: 1-7 Mar	[1-7 Mar]	58

ROMANIA

NATO's Woerner on Security Cooperation	[TINERETUL LIBER 31 Mar]	60
PNL Vice President Discusses Position Toward CD	[ROMPRES]	60
PAC Vice President Views Cooperation Within CD	[ROMANIA LIBERA 1 Apr]	61
Top Leadership Cited in Telephone Bugging Case	[ROMANIA LIBERA 3 Apr]	61

Bulgarian-CSFR Economic, Political Cooperation

*AU1004105092 Sofia DEMOKRATSIYA in Bulgarian
6 Apr 92 pp 1, 6*

[Interview with Czechoslovak President Vaclav Havel by Ana Zaimova in Prague on 6 April: "Let Us Develop Relations of Equal Partners"]

[Text] [Zaimova] Mr. President, the countries of the former East bloc were comprehensively bound to the former USSR through various relations based on the logic of the centrally directed economy. There was a vast number of absurd phenomena. Today the West views the problems related to resolving the foreign debt issue through the prism of a common position. Do you plan to seek common economic solutions together with President Zhelev and the other partners from the former socialist states?

[Havel] Our economic relations are vitally necessary because they are based on tradition. Now it is very difficult to be present in the Western markets, and it would be imprudent to do so without any cooperation. At the present difficult stage, it is very important to succeed in healing our economy. I would not like to see all our contacts discontinued, despite the fact they were directed by the artificially created CEMA directives. Now we want to establish mutual relations between equal partners on the basis of a market economy. If we broke off economic relations completely, we would suffer the consequences.

[Zaimova] What is your view of the possibility of Bulgarian-Czechoslovak cooperation within the framework of multinational structures inherited from the past or now being constructed, such as the trilateral group, the group of six, and the group of 12? Each is experiencing stormy and often unclear transformations....

[Havel] It would be excellent if we could find a common approach toward those international organizations of which Bulgaria and Czechoslovakia are members. We know that very soon your country will become a member of the EC—another organization in which we will work together. We will support your side in the coming talks on Bulgaria's association with the EC, with which Czechoslovakia already has a signed treaty. We are ready to help you with our experience because we remember how prolonged and complicated our talks with the EC were. We want to be good relatives in the big family of European democratic states.

As far as the so-called trilateral group is concerned, this is a small regional formation of states with common borders that share problems of neighborhood, border areas, and so forth. I think that the future European architecture of regional communities has its own meaning and importance. It is possible that an association of Balkan states will emerge soon. Nevertheless, I do not believe it is right for these small regional communities, which will be a part of a comprehensive architectural construction, to begin to expand in every direction.

That would not work. Naturally, there are areas in which the regional communities could develop mutual cooperation with third countries. The same applies to the so-called Hexagonale. Recently, it was renamed the "Mid-European Initiative." However, its future is somewhat unclear because of developments in the former Yugoslavia.

[Zaimova] During the period after November 1989, Bulgaria and Czechoslovakia traveled a difficult road. Each country has its own nuances and specific characteristics. What achievements of one of the countries could serve as an example for the other?

[Havel] I think we have many opportunities to exchange specific experience in implementing the economic reform in the two countries because, in practice, we are pursuing the same goals. It is difficult to say in what areas Czechoslovakia is ahead of Bulgaria and vice versa. This is precisely why we are meeting—to exchange experience in various areas, such as price liberalization, privatization, and so on. We have many similarities in the political sphere. The present dialogue will show what experience or lessons we could borrow from each other.

Bulgarian-CSFR Friendship, Cooperation Treaty

AU1104175992 Sofia DUMA in Bulgarian 8 Apr 92 p 4

[Commentary by Ivanka Khlebarova: "Treaty Is Promising Beginning; More Must Be Done"]

[Text] The political willingness to continue cooperation between Bulgaria and the CSFR was demonstrated by both sides with the signing of the new 10-year Friendship and Cooperation Treaty. Already one year ago, during their Prague meeting, the two former dissidents and present presidents, Zhelev and Havel, found the correct road and marked the beginning of a new stage in relations by signing a declaration. However, is it only a political willingness that is sufficient in overcoming incredible economic difficulties at this time of market economy? Will this document implement President Zhelev's hope and effect the turning point in our traditional relations? For Czechoslovakia's part, it was pointed out that we are the first Balkan state with which a new kind of relations has been established. This was done because of the historical roots, the stability of our present stage, and the future in which we are convinced—the joint construction of a new Europe.

What do relations with Czechoslovakia mean for us?

Czechoslovakia is a partner of the past, with whom things developed well within the framework of the former socialist bloc. The decrease in economic cooperation in recent years must now be viewed as an anachronism, especially against the background of the fact that Bulgaria owes the CSFR 293 million transferable rubles, and the relatively painless settlement of this problem depends only on the goodwill of our partners. During the visit and the talks that were conducted between the ministers of finance, it became clear that the CSFR is

aware of Bulgaria's position and cooperation possibilities, despite the 5-percent monthly inflation and the huge debts, which Finance Minister Klaus did not fail to mention. Perhaps we should better look into the CSFR experience in the advance toward a market economy. This is even more important against the background of the various projects related to the participation of the Czechoslovak partners in the privatization and investment policy in Bulgaria—an issue that is yet to be clarified.

Thus the treaty that was signed in Boyana must become only the beginning of a series of agreements that will give a specific and binding character to our cooperation. Without them, the treaty will become only a piece of

paper, or nothing more than bare proof of good intentions. However, today in new Europe, bare words are not sufficient, and it appears that Czechoslovakia understood this more quickly than Bulgaria. Naturally, they were assisted in this enterprises by their traditions.

The two former dissidents and incumbent presidents signed a treaty that marks a new beginning in relations between Bulgaria and Czechoslovakia. Before they withdraw and leave politics to the politicians, as President Zhelev expressed himself, something must be changed and stir the mechanisms of cooperation between Sofia and Prague because this also is one of the roads toward our association in the European structures. The treaty is a good, promising new beginning in Bulgarian-Czechoslovak relations.

Millions Spent on Publishing Enver Hoxha's Works

AU1104174092 Tirana TRIBUNA DEMOKRATIKE
in Albanian 29 March 92 p 4

[Article by Mujo Bucpapaj: "Corruption in the Former Institute of Marxist-Leninist Studies"]

[Text] The dubious genius created by the forced efforts of a routine institution, a body of books with an unimaginably large print run made from special imported newsprint: We have all cursed while reading the dictator's works during our classes in Marxism-Leninism, but we have not been able to truthfully depict what is stored in the warehouses packed with the dead works of Enver Hoxha. With this in mind, the Ministry of Finances in June 1991 investigated the publication and distribution of political literature at the 8 November Publishing House, 8 November Printing Works, and the Book Distribution Enterprise.

On 16 July 1991, the Ministry of Finances denounced Sevo Tarifa and Harrilla Papajorgji, who were responsible for ordering books for the Institute of Marxist-Leninist Studies [ISML], to the Investigation Office of Tirana. They were accused of abusing of their positions under Article 106 of the Penal Code, because throughout their period in their posts they caused the state economic damage of about 30 million leks by behaving in ways inimical to their official duties.

The ISML arranged the publication of political literature, especially Enver Hoxha's works, and always ordered endless print runs of these works, regardless of the stockpiles created for years on end and the costs in labor, raw material, electricity, production capacities, other material costs, and considerable amounts of foreign currency.

Nevertheless, the 8 November Publishing House overfulfilled the publication plan of Enver Hoxha's books by 24 percent. In contrast, the plan for other artistic and scientific books was only 90 percent fulfilled. During this period, 60 percent of the imported and high quality paper costing 4.6 million leks was spent on printing his books, though they constituted only 16 percent of all the books published by the Printing Works.

Between 1984 and 1990, the 8 November Printing House spent 35.9 million leks on the production and distribution of political literature written by Enver Hoxha alone.

The Book Distribution Enterprise has at present 10,000 stockpiled books that have been in store for years. Of these, 70 percent are the works of Enver Hoxha and Stalin. The album about Enver Hoxha alone cost 371,000 leks.

These stockpiles of Enver Hoxha's works are worth 30 million leks, 5 million in Tirana alone. These stockpiles and their poor storage conditions have cost 0.5 million leks.

From 1986 to 1990, 750,000 leks was spent on paying bank interest for goods in stock that were in low demand. During the same period, 6.2 million leks was spent on importing literature by Nexhmije Hoxha, Lenka Cuko, Muho Asllani, etc. The ISML bears the main responsibility for the economic damage done to the state. This institution, the only one to order publications (in some cases orally, as well as in writing), used its authority to contribute to the financial damage—deliberate economic damage.

According to the report of the Ministry of Finances, Sevo Tarifa and Harrilla Papajorgji, the only ones who ordered books, are fully liable for the damage inflicted.

This case has dragged on for 10 months in the Investigation Office of Tirana. As a matter of fact, the report was sent to this office on 16 July 1991 and the office sent it back for completion on 27 July 1991. After it was completed, the report was returned again on 30 January 1991 [date as published]. Nevertheless, the Investigation Office has remained silent about this abuse of duty.

We are now expecting the victory of democracy to mean the victory of the human right to repair once and for all the tragic things done at the expense of the Albanian people and at the cost of their toil: The case of the publication of Enver Hoxha's works is one of these things.

This obscurantist business, involving the publication of numerous books falsifying history and human reality, has materially and spiritually damaged every individual in our society and reduced us to absolute poverty.

PR's Godo on Shortcomings, Future Tasks

AU1004083392 Tirana REPUBLIKA in Albanian
29 March 91 p 1

[Speech by Republican Party Chairman Sabri Godo at news conference in Tirana; date not given: "The Country Will Increasingly Need the Republican Party Today and in the Future"]

[Text] The victory of 22 March is a unique event in the history of Albania. We are a people that has fought for freedom during its entire existence. It is only now that we have gained freedom. We are a people that has never known democracy as a political and social system. It is only now that we have achieved democracy. These victories were achieved by the willpower of the entire people and the unrelenting struggle of the opposition forces. The Democratic Party [PD] played the most important and noble part in this struggle. The whole country and world greets and congratulates this party for the splendid and deserved result attained on 22 March.

The Republican Party [PR] sends special greetings to the PD, because in the last 15 months we have been so close to each other, have fought to achieve the same goal, and

have followed the same strategy to overthrow communism, to establish human rights, and to set Albania on the road of civilized peoples. We are confident that the PD, carrying the main burden of the country's leadership, will achieve the success it needs to lift the country out of the unprecedented crisis it has inherited. We are also confident that all progressive forces will not hesitate to help the PD to the benefit of the country and nation. We would also like to greet the Social Democratic Party, whose deputies give parliament a strong pluralistic color.

On 22 March, the PR doubled the percentage of its votes compared with last year. We must openly admit that the percentage has not risen in proportion to the increase in party members. That is why it was so unexpected for us to be represented in the parliament with only one deputy, without managing to cross the 4-percent threshold. This was very unexpected for us, because the PR has not spared any effort to defeat communism and has helped the country to overcome the difficult situation by following a sensible and unswerving policy. Anyway, we cannot discuss the electorate's decision. What remains to be done is to calmly consider this decision and to make the right analysis. The PR Managing Committee thinks that there are strong objective and subjective reasons that explain this phenomenon. As a matter of fact, the electorate was completely polarized. The resolute aim of the people was to get rid of the weight of communist rule. They started from the idea that this would be possible only by supporting the largest party representing democracy, leaving few chances for other parties. This opinion became decisive. In fact, voting for the other two parties of the opposition would serve the same aim. It is precisely here that our main shortcoming as a party lies, because we did not succeed in making this clear to our electorate. This and a number of other shortcomings spring from some organizational defects that we are initially considering. We should analyze these weaknesses at the National Council and especially in our first congress to be held by the middle of May. As a party, we will completely renew the leadership and define tactics and strategy in accordance with new conditions.

Communism was defeated, but it has still not been eradicated, so the struggle in this direction can in no way be considered to be over. We will simultaneously concentrate our energies and assume a clearer republican profile in order to be as constructive as possible in the future development of democracy.

We are of the opinion that the real influence of a party in a country's life is not in equal proportion to its electoral result. The PR has had a strong and useful influence in the country's life throughout the last 15 months and it will increase this influence in the immediate future. The first testimony to this will be the local elections that are expected to be held, and in which we will be committed with new forces and in new conditions.

The numerous accumulated problems require both the entire intellectual and economic potential of the country

and foreign aid to be set in motion. Every party will have its own say in this great effort. This debate within and outside the parliament will bring out differences. The party that has the best idea at the proper time will always come out victorious. The country will then clearly realize which party serves it most, which party serves it less, and which party does not serve it at all. The country needs this pluralism of programs and ideas especially today, because as our program states, nobody has a monopoly of wisdom or of total solutions. While each of these political forces will develop its own ideas, we as Republicans will never forget that we should be of one mind about many problems concerning the people's interests. In the first place, we must consider such problems as establishing the rule of law, resuming work, and protecting the homeland from outside dangers. Time will prove that the country will increasingly need the PR as a serious and militant party, not only today, but also in the future.

Alleged Hoti Party Chairmanship Claim Rejected

*AU0704153592 Tirana TRIBUNA DEMOKRATIKE
in Albanian 29 March 92 p 4*

[Article by Ecology Party Chairman Alban Rabo and party member-chairmen Arenc Kongoli, Kejdi Kote, Genta Popa, and Anila Mehmeti: "The Truth About the Ecology Party and Namik Hoti"]

[Text] The title of this article will give you a hint why we want to throw light on the Ecology Party [PE] and its alleged "Chairman" Namik Hoti, who walks about with the party's seal in his pocket, a rare case in Europe.

The PE was by no means founded by this charlatan, but by a group of young, enthusiastic students who, acquainted with democratic processes, wanted to contribute to this field. This is so obvious that it is enough to cite the full text of the certificate of 11 March issued by the Ministry of Justice, which states: "Documents in the archives of this Ministry show that the order for the foundation of the PE was given to its chairman, Alban Rabo." As you see, the name of Namik Hoti is not found anywhere. It did not take him long to declare himself "chairman" without being even a PE member. To do this, he was first helped by "his broad knowledge" which consists of two classes of elementary school. Second, he was helped by the documents of the Investigation Office of Tirana which testifies that this gentleman was convicted and released for moral turpitude that we will not mention. This is a flagrant violation of the PE statute. Nevertheless, this did not prevent him from seizing the post of chairman. Moreover, helped by those in power and having gathered ignorant people around him, he managed to eliminate the students from the EP leadership. This illustrates once more the saying of Noli: "It is in the nature of meddlers to be surrounded by meddlers and flatterers." Facing these facts, we asked the Ministry of Justice to help us, but the ministry maintained a neutral attitude, saying that these are problems within the party ranks. That was why we went to the PE

headquarters to talk with Hoti. Hoti, the man who used to preach tolerance, humanism, and brotherhood, appeared before us with a huge brick in his hand and said: "Do not come any closer or I will kill you." This was a scene worthy of Shakespeare and not of Hoti, who has appeared on television many times looking as meek as a lamb, almost like a nincompoop. He threatened us: "I will kill you and I do not care about the police, because I am a security agent myself." These were the last words of the legendary leader Namik Hoti.

We went away to report to the police, but...there is no end to the irony. We found Hoti there denouncing us to the police. We would like to say a word about the police in this case. When we presented ourselves as students to the local Police Station No. 1 and explained to them why we were there, they invited us into the "reception room" and locked the door. They kept us in that room for 10 hours. As we learned later, this was a cell where we were put only because Hoti said something about us (Lord help us). There was no question of a lawyer. "We do not know any lawyer here," the police said. "We do not care about documents. The police do not go in for such fancy stuff, never mind whether it is depoliticized or not." Hoti is a "great chairman." We were also surprised at the speed with which the police ran to his aid. In contrast, they did not arrive at a school which had been set on fire for more than two days. Anyway, our odyssey at the police station ends here, although we were told that they could have kept us for as long as 72 hours.

But our odyssey with Hoti does not end here. This bluffer has made viewers laugh with his boasts on television, relieving them of the need to go to a variety show. He urgently announces on television that he has been personally attacked (implying he is a leader valuable enough to be annihilated). The reason is very simple. Hoti is a clown after the hearts of socialists, labor supporters, communists, intelligence service agents, and all other ists. Though ironically smiling, we as democratic students and leaders of the party are very upset at the damage that this psychopath is causing to the sincere and human movements to protect nature and the human soul. We have two requirements before we accept Hoti as a PE member. He should first receive his elementary school diploma and his certificate of conviction from the Tirana Court. He should then apply for PE membership (and perhaps we will have mercy on him).

Chief of Staff Karoli on Visit to Greece

*AU0804071092 Tirana Radio Tirana Network
in Albanian 1730 GMT 7 Apr 92*

[Interview with Major General Kostaq Karoli, chief of staff of the Albanian Army, by Lirim Ibrahim; place and date not given—recorded]

[Text] [Karoli] The meeting on Kerkyra with the delegation of the General Staff of the Greek Army headed by General Ioannis Verivakis was a working meeting. We

consider that the meeting's main purpose was to establish contacts between representatives of our two armies and to create a climate of mutual trust and security by opening opportunities for cooperation in the military field in the directions indicated by common and mutual interests. Of course, this meeting took place in the spirit of the times in which our country is living, with their democratic processes that demand and have made possible the establishment of contacts with the armies of other countries.

We also consider [words indistinct] the CSCE documents and to facilitate as well as possible a peaceful climate in the Balkans. The problems we discussed related to the establishment of relations in the military field and the establishment of contacts between military attaches. We considered this problem and agreed that military representatives with the rank of attache will be exchanged between our two countries and armies. We also discussed the problems of creating more frequent contacts between representatives of the general staffs, contacts that we consider will further encourage this spirit of mutual cooperation and security.

We stressed the need for the operation of a joint commission to prevent and solve incidents and to arrange border markers. This requires the signature of the relevant agreement between our governments, an agreement that will pave the way for the creation and operation of local commissions and contacts between these commissions in order to prevent and solve problems of different kinds that may arise on the border.

We also agreed to strengthen friendship between our two peoples and cooperation between our two armies by exchanging cultural and sports delegations of different kinds. Specialists will in fact solve the specific problems here, finding ways to exchange military sportsmen and artists.

One important problem that we discussed and agreed on was that of drawing up and signing an agreement between our governments about the extradition of certain individuals. I think that this will help establish order on the border and create a spirit of trust and understanding between each other.

We considered that this visit served the security of our two countries, which will be further helped by various military cooperation agreements. We feel that, as a first meeting between servicemen of the two countries, this visit was successfully accomplished.

Article Deplores 'Dollarization' of Economy

*AU0304153992 Tirana BASHKIMI in Albanian
22 Mar 92 p 2*

[Article by Ilir Dhima: "Toward the Dollarization of the Economy?!"]

[Text] Anyone who frequents the stores, kiosks, and tables erected at every street corner cannot fail to be

amazed at the wild and rapid fluctuations of the prices of products of all kinds. However, the most surprising thing is that while the Albanian lek continues to function as our country's national currency, prices are also marked in dollars alongside the sum in leks. Recently, some stores opened by firms with joint or entirely Albanian capital have begun to sell goods only for dollars or other convertible currencies. This is all right for those who have foreign currency, but what can people buy when their pockets contain only the Albanian leks in which their wages are paid? Faced with this state of the market, many people become even more downhearted and ask themselves and each other with increasing concern: "Where will all this end?" It is indeed not easy to provide an answer.

The most flagrant case recently concerns certain gatherings of people in front of the central office of the Savings Bank in Tirana. These meetings are not part of the election campaign or merely social, but are for a lottery with the tempting name "Scratch and Win." About 3 million cards have been issued, and the organizers take as profit 55 percent of the earnings from their sale. At least, that is what they themselves claim. We will not enter into the question of whether this lottery is controlled according to international practices and regulations, although such a large profit for the organizers at the expense of those people who wish to try their luck seems unreasonable. The question this time is why the Albanian Olympic Committee is selling these cards for dollars on the premises of the Savings Bank. One card costs 50 cents, three cards cost \$5, and so on. Why are the prices in foreign currency, directly involving a state institution such as the Savings Bank in this business? Is the Savings Bank not aware that only a small minority of people can pay in foreign currency? Of course it does know, but apparently prefers in this case to stimulate still further the black market in foreign currency, which some officials without the slightest shame call the free currency market.

And look what has happened: The entire throng of people that once lounged in the shade of the pines by the General Directorate of the State Bank, changing foreign currency into leks and vice versa, have now virtually all transferred themselves to the Savings Bank. These money "dealers" have bought large quantities of cards and are selling them at 50 leks each. People's eagerness to win impels them to take from their pockets what little money remains to them after the recent increases in the cost of living. Thus, since the "Scratch and Win" lottery began on 10 March, the dollar has leaped from 84 leks on the black market to 100 leks. In the language of the data we presented earlier, this means more increases in the prices of consumer goods, a large proportion of which are today imported by various means.

A foreign currency market does not operate freely in any organized state in the world, and least of all in Europe. In Italy, for instance, a private exchange bureau must be allied to a bank, and a license would probably have to be issued for the lottery described earlier. If it is indeed not

easy to make the lek convertible at a time when virtually nothing is being produced and there is only consumption, this does not mean that the national currency should be entirely elbowed out and devalued as far as possible. The experience of other countries moving from a centralized economy to a market economy shows that strengthening the national currency is the best road for national development. For instance, when Ghana recently became a member of the FMS [expansion unknown], one of its first acts was to strengthen the cedi. However, will Albania, which is in the middle of developed Europe, dollarize its economy?

To continue...no, one cannot continue like this!

Prices Freed To Stimulate Cotton Production

AU1404092392 Tirana RILINDJA DEMOKRATIKE
in Albanian 5 Apr p 2

[Article by Iliaz Mehmeti, minister of food and light industry: "Price Liberalization in the Countryside's Interest"]

[Text] We would say that the peasants are the poorest section of the population at a time when they have given the economy a large share of its earnings. The erroneous policy on the retail prices of agricultural and animal products has, among many other factors, had its influence here. The policy of frozen prices bears a large share of the blame for the plight to which our country and people have been reduced. It is up to democratic forces and the progressive thinking of specialists to act in ways that will not only support the economic reform but will also help to increase the earnings of the population and especially the peasantry.

The peasant has now become master of his land. He himself knows what he will do with his own land. However, it is also the duty of specialists to guide him in choosing crop structures in order to increase the value of agricultural production. Thus, the production price is now the sole link between the peasant as producer and the state or state-owned and private enterprises. All those who have been aware of the procurement prices of agricultural and animal products have seen how mistaken these prices were. It was these prices that reduced the value of a working day in the former cooperatives to levels that today amaze anyone who hears of them. In this context, the Ministry of Food and Light Industry prepared in February and March some government decisions on freeing the prices of cotton, sugar beets, sunflowers, etc. The government succeeded in approving the cotton price. The freeing of the cotton price will lead to an increased procurement price for cotton, four times higher than the present price.

The benefit of such a step lies in the fact that about 60,000 workers in our country depend on cotton in the textile combines, clothing enterprises, etc. Workers will therefore be employed. A peasant has so far been able to earn only 10,000 leks from one hectare planted with cotton. With the new prices, he will be able to earn no

less than 60,000 leks from the same yield. The effectiveness of this measure lies not only in increasing the peasants' income more than sixfold, but in the fact that every quintal of cotton produced in the country means a saving of the foreign currency now spent on cotton imports, \$1,600-1,900 per ton.

A discussion was held at the Lushnje Research Institute a few days ago, involving the Agriculture Ministry, the Agricultural Bank, and the executive committees of cotton-producing districts. The leading specialists in this field discussed the need to free the prices of cotton and all other crops. This is the road that must be pursued to encourage higher agricultural and livestock production this year and to boost peasants' earnings. The peasant producer has a guaranteed market for the cotton he plants.

I think that freeing prices must be accompanied by state subsidies for some crops, as in other countries. This is the only way to ensure the continuing production of cotton, which, if it is not planted at home, must be imported at a cost to the state of no less than \$15 million a year. One asks why we should not encourage the peasants to make our fields blossom through their labor. Moreover, the peasants will earn more and foreign currency will not leave the country. I think that our people should be allowed to profit; more crops will be exported as a result of using this economic lever, as the rest of the world does, and without carrying out any more experiments. A people and a country that do not spend foreign currency abroad are always richer. We must not be dogmatic, and if this reform does not work, we will depend on imports for the supply of industrial raw materials. It is much better for our peasants to earn the same per hectare as, for instance, a Greek peasant earns than for our boys to go and work the fields of other countries. It is not a matter here, as it was until recently, of producing everything at home even when it is not profitable; it is a question of the most profitable crops.

We raise this problem because democracy has now won. People are waiting, and want promises turned into reality, so that the peasants' trust will not be shaken. At present, supporting the decision to free the cotton price with credit for seeds, fertilizer, fuel, equipment, etc. will greatly assist the peasants' work and guarantee increased production. Besides providing thread for the textile industry, seeds, and thousands of tons of concentrate will also be secured for stock raising.

The times will brook no delay in price reform, especially in agriculture, which is seasonal. Perhaps the time has already come to act with regard to other crops, because, if there is delay in using economic stimuli, the production cycle can only be repeated one year later, with consequences for the country. Freeing prices will obviously multiply peasants' incomes this year many times over. Their money and the credit they obtain will guarantee them earnings higher than in any other year so far, and will enable them to buy agricultural materials and equipment more freely.

Elbasan Pollution Deemed 'Acute'

AU1404103392 Tirana ZERI I RINISE in Albanian
8 Apr 92 pp 1-2

[Article by Anton Joro: "Is Albania Polluted?"]

[Text] Now that we are in political fever, journalists will find that answers to this question are as rare as hen's teeth. I will remind people who think in this superficial way that this problem involves the health of the people who voted for the parties, and is not a distraction of their attention. I would also remind them of President Bush's master stroke in his last presidential campaign, when he trumped Michael Dukakis, his strong opponent from Massachusetts, by paying a visit to the port of Boston, then one of the most polluted in the United States. If Dukakis cannot clean up the harbor of his own hometown, Mr. Bush said, how can he clean up the entire United States?

Some might well ask whether Albania really has the major pollution problems to justify such an article. They are not to blame for their ignorance: Two years ago, it was absolutely taboo to talk about industrial pollution. Now that the taboos have fallen, it is politics that stops us looking after our health.

Nevertheless, I will raise the question by quoting the conclusion of some Albanian and foreign environmental specialists: "Albania is one of the least polluted countries of Europe. This is not because of an effective state environmental policy but because of the low level of Albanian industrial development. Nevertheless, Albania has its black spots where pollution is a danger to people's health and where vegetation and water are subjected to a disruption of the ecological balance."

Let us use the language of facts and mainly discuss Elbasan, which presents an acute problem. The Steel of the Party Combine was quite wrongly built in a valley. During the summer, when there is no wind, the smoke and emitted gases float in the air and damage the health of the inhabitants of the surrounding villages and the local vegetation. When the wind blows, it may carry the smoke to a distance of 15 kilometers, while the town of Elbasan is only five kilometers from the combine. Sheets hung out to dry in Elbasan often turn red. People in Elbasan complain of itching skin, said BBC correspondent Nicola Carslow in one of her reports. A group of German specialists that came to Elbasan to help restructure the combine refused to sleep in the town. They would not sleep even in lovely Belsh. They preferred to travel from Tirana each day. Why?

The coking plant, Factory No. 12, the factory processing raw materials for the blast furnace, and the power station all emit a range of poisons such as carbon monoxide, phenol, cyanics, ammonias, and dust-bearing gases and water. The now half-dead River Shkumbin is full of cyanics and ammonias that do not decompose because there is no processing plant. The blast furnace emits poisonous sulfurous gas.

Pollution exceeds permitted levels several times over. For instance, there is three times the permitted 20 milligram level of carbon monoxide, three times the permitted 20 milligram level of sulfuric gas, and five, 10, or 15 times the permitted 15 milligram level of total dust.

The filtering equipment at the Elbasan Steel Combine does not work at all. There are no funds to repair it, let alone to buy new equipment. There is not even any equipment to measure atmospheric pollution and to draw up a district or nationwide health policy on the basis of the resulting measurements. What are the results of this appalling pollution at Elbasan?

Workers have been poisoned by carbon monoxide, especially in the coking plant. They have often been hospitalized or temporarily laid off work. There have also been cases of chronic phenol poisoning among workers. X-ray examinations show lung diseases among those working in places with poisonous gases. Most workers complain generally of debility, headaches, and drowsiness. Many of them say that they do not have enough time to refresh themselves for the following day's work, even if they spend the entire time asleep. In Elbasan, they still remember how quite a large number of workers were hospitalized two years ago. The number of those suffering from cancer has also increased.

These problems have existed in Elbasan ever since this death-dealing mammoth was built by our Chinese "brothers" in the seventies. What was the response at that time to the great pollution it caused? Two cases will suffice to show. First of all, in 1973 nobody in the government was sufficiently interested to introduce equipment to measure pollution. Second, when Shaban Kamberi, then an engineer at the combine, wrote a technical pamphlet about the danger of pollution and the

measures that workers themselves should take for their own protection, the then party secretary said that this was enough to bring Mr. Kamberi before the courts for encouraging workers to abandon their jobs.

What is being done today to alleviate the situation? I have not heard anyone at rallies, party consultations, government meetings, and seminars mention any project to mitigate the effects of pollution at Elbasan, Vlore, Lac, Rubik, Kukes, or anywhere else. Politics has swallowed up everything. Can it blow away the smog from Albania's environmental black spots?

The country has taken its first steps toward a market economy. Specialists often say that a market economy is not good at alleviating and eliminating pollution. Will we go on like this? For a more accurate picture of how we can and should solve the problem of atmospheric pollution in the future, I will quote the specialist Shaban Kamberi, now deputy chairman of the National Environmental Protection Committee, under the Council of Ministers:

"The new changes toward the market economy also imply the standards and criteria enforced by the most developed countries. If we are to have a healthy ecological future, the important thing is to introduce up-to-date technology at a low cost. This will start with the training of different kinds of specialists at the universities. What is most important is to integrate the environmental factor in plans for the country's development. The environment cannot be clean if economic development does not include measures for environmental protection. Before an industrial plant is built in a certain place, the agreement of the local people must be obtained. The principle: 'Whoever pollutes, pays,' must always be borne in mind and enforced."

Few Bulgarians in Libya Want To Leave

*AU1404093492 Sofia TRUD in Bulgarian 8 Apr 92
pp 1, 4*

[Article by Petur Tomov: "There Are Not Too Many Bulgarians in Libya Who Wish To Be Saved"]

[Text] The closer 15 April comes—the final deadline for Libya to surrender the six persons suspected of participating in the attempts against the U.S. Pan Am and the French UTA companies—the more pressing the issue of the fate of our countrymen in Libya becomes. There are 6,000 Bulgarian experts in Libya. This figure includes their families. We contacted Mr. Zdravko Velez, head of the Arab Countries Department at the Ministry of Foreign Affairs, who said: "For the time being, there are not many Bulgarians who wish to receive exit visas from the Libyan authorities. Some 2,500 Bulgarians, mostly medical personnel, work on the basis of private contracts. However, the total number of Bulgarians working in Libya on the basis of such contracts is unclear because not all of them are registered at the embassy."

"Another group of Bulgarians in Libya is employed by various organizations, also on the basis of private contracts. At this time, exit visas have been requested for some of their spouses and children."

"The next to last flight from Libya to Bulgaria was on 5 April, and the last flight before the beginning of the sanctions will be on 12 April. We know that this flight is already booked up. Some 150 Bulgarians will return on it."

"We asked the embassy to prepare a list of the Bulgarians who wish to return, and, if their number is substantial, we could send two additional airplanes, which could transport 300 Bulgarians. An alternative plan was prepared, but its implementation depends on Libya. If it closes the border, no one will be able to leave."

We received more details from the Bulgarian Embassy in Libya. According to Consul Malin Tsanov, so far 400 Bulgarians have received exit visas. However, this is not a final figure. An updated figure will be available on 9 April at noon.

Two Air VIA airplanes and their crews are also in Libya at present. They will probably return on 13 or 14 April and could also be used to transport more Bulgarians.

Democratic Center May Split Into 2 Blocs

*AU1104161692 Sofia 24 CHASA in Bulgarian 6 Apr 92
p 3*

[Article by Zhana Nikolova]

[Text] The Green Party leaders are thinking of forming a liberal bloc within the Bulgarian Democratic Center. The Ecoglasnost Political Club is also reported to have shown an interest in the idea. However, for the time being, the Liberal Party is reportedly standing aside,

taking no part in the consultations with the opposition liberal parties outside the centrist groups.

Green Party leader Al. Karakachanov announced that talks with possible allies will probably end at the end of this week, when it will become known which partners will join as partners in the new formation.

The parties in the Bulgarian Democratic Center are united by only their moderate political conduct, but the differences between the ideas of liberalism and social democracy demand a separation into two independent blocs, with their own political images, added Green Party spokesman Ivan Gorinov.

At the same time, the Bulgarian Democratic Center Political Council is reported to have started discussing the coalition's permanent statute. The document will be ready at the beginning of this week, announced Georgi Avramov of the Ecoglasnost Political Club. It is supposed to state for the first time that the centrist opposition will fight to win power and that, from now on, it will aim to create and develop structures throughout the country to prepare to compete in the next elections, Mr. Avramov said.

Navy To Cut Manpower 14 Percent by End 1993

*AU1104172892 Sofia BULGARSKA ARMIYA
in Bulgarian 6 Apr 92 p 1*

[Article by Captain Third Rank Plamen Zhechev]

[Text] The reform in the Navy is aimed at achieving an optimum level of defense sufficiency. It was announced at the regular Navy briefing that, following two months' work by two separate teams led by Rear Admiral Khristo Kontrov and Captain First Rank Iliya Popov and subsequent discussions of their reports, a concept for the development of the Bulgarian Navy is now ready. A detailed plan has also been prepared for putting the concept into practice. Staff establishments have also been drawn up in accordance with the new quotas for the Navy and in line with the prospects of supplying the Navy with new ships of a European standard.

The restructuring of the Navy will be completed in the first stage of the reform (until 1993), while, in the second stage (until the year 2000), ships and armaments will gradually be brought up to date. Before the end of 1993, the manpower strength of the Navy will be reduced by an average of 14 percent, and by 22 percent in the case of administrative units.

According to Rear Admiral Ventseslav Velkov, the Navy's commander, the future renewal of the 53 fighting vessels and cutters, envisaged in the concept for the composition of the Navy, can ensure optimum defense sufficiency, while observing the requirement for a minimum burden on the taxpayer.

Government Orders Competition for Management Posts

AU1104173492 Sofia DEMOKRATSIYA in Bulgarian
4 Apr 92 p 1

[Staff report: "Competition for Management Posts Instead of Party Decisions"]

[Excerpt] The replacement of the system also means changing the people who manage the country's economy. It is difficult for any member of the so-called economic *nomenklatura* to complain that the government of the Union of Democratic Forces [SDS] has not given him a chance to show what he can do. However, many company directors have misunderstood this to be a sign of the Cabinet's weakness. Now the time has come to pay the price for this mistaken conception of the freedom to effectively manage companies on whose results the fate of hundreds of thousands of Bulgarians depends.

On 3 April, the Council of Ministers decided at a special session to appoint interim boards of directors for the Neftokhim Joint-Stock Company in Burgas, the Plama Joint-Stock Company in Pleven, and the Yambolen Joint-Stock Company in Burgas. These boards will be empowered to hold international competitions for managerial posts. A further decision of the Council of Ministers should bring it home to the old guard managers that the guard has really been changed: Instead of the customary party recommendations, the government is introducing economic levers that require every member of a board of directors to deposit a guarantee sum equivalent to 10 monthly pay checks. There is yet another unpleasant surprise for the former Bulgarian Socialist Party (Communist) elite: Filip Dimitrov's Cabinet required the Ministry of Industry and Trade to include as a condition in the contracts for management staff a requirement to achieve minimum profitability.

Analysis of the Council of Ministers decision shows that the line of effective and firm actions in the economic reform is continuing. The decision of 3 April is a new step, in line with the repeated recommendations to Mr. Filip Dimitrov's team from the SDS Parliamentary Group. The catastrophe, whose true depth we have gotten to know increasingly well since last year, dictates resolute decisions, and, accordingly, the list of sacked directors will lengthen. On 1 April, this list included the names of the chiefs of over 30 companies in the food and tobacco industry, one of the most sensitive points in our economy. We hardly need to remind ourselves that it was precisely the giant meat and dairy combines that kept a stranglehold on the big "blue" [SDS] towns in the weeks before the presidential elections. [passage omitted]

Statistics on Unemployment in Sofia City

92BA0687A Sofia IKONOMICHESKI ZHIVOT
in Bulgarian 26 Feb 92 p 4

[Article by Svetla Dimova and Veselin Indzhev: "Unemployment in the Capital City"]

[Text] At the beginning of February, the number of unemployed in Sofia reached 42,919, which corresponds to an unemployment level of 8 percent. The average monthly increase during last year was approximately 3,000 persons, and, during the past month, there was a slight drop of 817 persons. This was due in part to the names of unemployed with expired periods of compensation, who had not reregistered, being removed from the lists at the office of unemployment. Together with the slight increase from the month before, this shows that the general trend is changing from a steady increase to slower growth and stabilization of the total number.

The trend continues for the percentage of unemployed in Sofia to continually decrease, compared to the total number of unemployed in the country, inasmuch as the percentage has fallen in the past eight months by more than two points—from 12.79 percent to 10.07 percent.

As compared to January 1991, the level of unemployment has risen from 1.44 percent to 8.0 percent. In spite of this, Sofia has the lowest level of unemployment among the districts (oblasts) in the country, a level significantly lower than the average—3.28 points. This is due to the greater opportunities to find work in the capital city and, primarily, to the large number of vacant jobs in private firms, in the service sector, and so forth. In addition, most of the firms registered with the Ministry of Labor and Social Welfare for labor mediation are in Sofia.

Publicized job vacancies in Sofia at the beginning of the month numbered 3,317—a significantly higher number than the corresponding number in the rest of the districts. For each of those vacancies, there are more than 13 unemployed—an indicator placing unemployed in the capital in a more favorable situation concerning their chances to find work. During July of last year, there were only four unemployed for every vacant job; after that, the percentage sharply increased to 10 (toward the end of the year) and is now 13.

A determining factor for the increase in the total number of unemployed in the capital during 1991 was the significant drop in production, leading to fewer jobs.

The structure of vacant jobs does not correspond to that of unemployed; for example, only 16 percent of vacant jobs are for specialists, and, among registered unemployed, specialists number 56.7 percent.

The problem of employment for women in Sofia is more serious than in the country as a whole—among unemployed in Sofia, 60.1 percent are women—nearly 6 points higher than the average percent of unemployed women in the country (54.3 percent).

The situation with employment among young people is similar—38 percent of registered unemployed in Sofia are young persons under age 30, which, compared to the age structure of the active population, indicates a significantly higher level of unemployment among young people than among other groups.

Thirty-one percent of unemployed in Sofia have higher educations, and the percentage of unemployed with higher educations in the country as compared to the total unemployed is 7.9 percent, which is evidence of a much higher concentration of highly educated unemployed in the capital. The greatest percentage of highly educated unemployed are those with engineering and technical specialties, 48 percent, followed by teaching specialties, with 18 percent, and economists, with 16 percent.

It is striking that a much higher percentage (compared to other districts) of unemployed are from the artistic sphere—6 percent. The lowest percentage is that of lawyers—1.1 percent. In the group of doctors, there is significant regional immobility; while there are vacant jobs in other regions, 412 unemployed are registered in Sofia.

A specific feature of Sofia is a rather unequal territorial distribution of unemployed by township (obshtina). With the average level of unemployment at 8 percent, the figure is 34 percent in Lyulin township—7.7 times higher than that of the most unaffected township, Oborishte. The causes for such a differentiation in the level can be sought in the different structure of the population in the townships by a number of sociodemographic indicators concerning the labor activity. Besides Lyulin township, the level of unemployment is rather high in the townships of Mladost and Iskur—15.6 and 12.1 percent, respectively.

Unfavorable trends are seen in the case of the distribution of funds from the PKP [expansion unknown] fund;

the low percentage of funds for the maintenance of qualification (15 times less than that for the country) shows that, in the capital offices of labor, activities aimed at actively leading unemployed in search of work are poorly developed.

Quite a few firms have been established in various parts of the city, mainly in the area of public catering, trade, and services. Considerable opportunities for opening new jobs lie in the establishment of firms for the maintenance and repair of housing; for exchange, barter, lease, and the sale-trade of immovable property; and for transport services, mainly specialized passenger and freight transport. In all probability, an additional need will arise for firms for raising and educating children, and for changing and improving qualifications and training in connection with the change in financial opportunities for certain groups of the population living primarily in the capital. One can also speculate on an increase in the number of people employed in the monopolized structures in the spheres of administrative-legal services and servicing the population, communications, medical services, public services, and other areas from the nonproduction sphere. For the effective realization of these opportunities, it is necessary to lay out a framework of courses for requalification for the future needs.

Even at the present moment, there are real opportunities for a portion of the unemployed in Sofia to find work in other regions of the country, but these opportunities are not being realized because of the low territorial mobility, born of unresolved living problems and existing traditional psychological adjustments.

Democrats '92 To Enter Elections Independently

AU0904173792 Prague LIDOVE NOVINY in Czech
7 Apr 92 p 3

[Interview with Egon Lansky, ambassador extraordinary and plenipotentiary of the CSFR Permanent Mission to the Council of Europe, by "(jas)"; place and date not given]

[Text] [(jas)] You are one of the founders and propagators of the Democrats '92 movement. You will abandon your newborn child, however, and depart for Strasbourg just before the elections.

[Lansky] I will certainly not abandon it. I will return during the election campaign, even if I have to take leave. If this activity were incompatible with my diplomatic career, I would tender my resignation. I believe in the movement's electoral success as it should appeal to those who feel left out. It should also reassure voters that its candidates will not transfer to other parties. I personally will campaign in Slovakia as a representative of the only federal party. Democrats '92 will enter the elections independently—our coalition endeavors with the Civic Movement, the Civic Democratic Alliance, and the Civic Democratic Union have not been successful so far—as an integrating element. We are now an umbrella organization for the Movement for Czechoslovak Understanding, the Association of Social Democrats, and the Independent Civic Forum.

DSP, HSD-SMS To Run Together in Elections

AU1004102692 Prague RUDE PRAVO in Czech
6 Apr 92 p 4

[Article by "(alm)": "The Democratic Labor Party Will Run on the Slate of the Movement for Self-Governing Democracy—Society for Moravia and Silesia"]

[Text] Members and supporters of the Democratic Labor Party [DSP] will appear as independent candidates on the slates of the Movement for Self-Governing Democracy—Society for Moravia and Silesia [HSD-SMS]. This was approved at a DSP meeting on Saturday [4 March]. If the DSP candidates are elected to representative bodies on the HSD-SMS slate, their full independence is guaranteed. DSP members and supporters appear on first places of lists of candidates mainly in the Czech lands. In Prague, the first places are taken by Jaroslav Krecek, chairman of the Association for the Protection of Tenants (running for the Czech National Council) and Deputy Miroslav Jansta (running for the Federal Assembly). In East Bohemia, Michal Kraus, DSP first deputy chairman, is running as number one for the Czech National Council.

SNDM Chairman Interviewed on Slovak Sovereignty

LD1004085192 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 1000 GMT 8 Apr 92

[Excerpts] Although the requirement to adopt a statement on the sovereignty of the Slovak Republic was presented in the Slovak National Council Plenum last week, its echo lasts until today. This was also the theme of this morning's news conference given by the Slovak National Democratic Movement [SNDM] in Bratislava. Alena Michalicova interviews Petr Brnak, the party chairman:

[Begin recording] [Michalicova] Mr. Brnak, your view on the question of sovereignty as representative of a nationally oriented party is known to the public. With a period of several days, how do you assess the unsuccessful attempt to declare sovereignty of the Slovak Republic?

[Brnak] We can only welcome the fact that deputy minister Mr. Oberhauser, who submitted the draft declaration on state sovereignty for the SNDM, which was supported also by the Movement for Democratic Slovakia, that they walk in the old tracks which, in essence, have been followed by us for at least two years. These tracks consist in a certain sequence of steps: in stating a declaration on state sovereignty, in adopting a constitution of a sovereign Slovak Republic, and in having a referendum on a state-administrative future for Slovakia. [passage omitted]

[Michalicova] This considerable task in the political game has been assigned to the Party of Democratic Left [SDL]. In view of the fact that the Party of Democratic Left, in your view, has moved in the recent past along the national wave, do you assess this attitude as treason?

[Brnak] I think that in connection with the talks on the declaration of state sovereignty of the Slovak Republic, the representatives of the Party of Democratic Left have attempted to do more than they are capable of doing. [passage omitted]

[Michalicova] Mr. Chairman, the attempt to declare sovereignty of the Slovak Republic at the same time revealed certain contradictions in the Slovak Government. One is considering the question of Mr. Oberhauser staying in the government, along with three other ministers for the Slovak Christian Democratic Movement and, in this connection, about the functioning or non-functioning of the government. How do you see further developments from your point of view?

[Brnak] At the present moment, in view of the composition of the Presidium of the Slovak National Council, as well as certain unhealthy relations toward some members of the Slovak Government, and, all in all, the Presidium of the Slovak National Council, or to be more precise, the premier, will not enter into an open conflict with the members of the government, that is, ministers of the SCDM. I think that they would accept these

ministers giving up their posts voluntarily. However, personally I do not think that at the present moment the premier or the Presidium of the Slovak National Council would extract any unity from the now somewhat uncertain and unstable construction. [passage omitted] [end recording]

Slovak Council Discusses Banking, Loan Guarantee

AU0904115292 Prague HOSPODARSKE NOVINY
in Czech 7 Apr 92 p 2

[Article by "(jur)": "Billions for Guarantees"]

[Text] At the suggestion of Slovak Finance Minister Danco, the Slovak Economic Council considered financial infrastructure and the plan for its further development. The unfavorable situation in banking is mostly due to the insufficient number of banks, which is a consequence of the absence of domestic and foreign capital and efforts to preserve the monopolistic position of existing institutions. In the nonbanking sector, the situation is also unsatisfactory. The Economic Council approved a system of measures that foresees the support of small banks, the training of new employees, and the demonopolization of the saving banks system.

The Economic Council recommended that the Slovak government guarantee the loan by the Heavy Machine Tool Enterprises in Dubnica and Vahom of 2.7 billion korunas. J. Kubecka, Slovak first deputy economy minister, described this as a compromise. Within the framework of the conversion of the manufacturing program and the preparation for production of machinery for deep oil extraction according to the license by American firm REDA, the Dubnica management originally demanded guarantees of 3.8 billion korunas. If the Slovak government confirms the proposal, then the Dubnica people will have to realize that their production may be postponed for a later date, thus jeopardizing agreements concluded with partners from the United States and the Tyumen oblast in the Russian federation. On the other hand, the Economic Council took into consideration the fact that since the end of March, 6.7 billion of the total sum of 8 billion korunas designated for guarantees from the state budget this year have already been used.

The Economic Council did not approve draft solutions regarding economic losses ensuing from coal extraction in Slovakia, and recommended that the final solution be adopted after a thorough analysis of the economic situation in the Slovak coal mines in Prievidza is carried out. The solution has thus been postponed for the third time. The Economic Council also dealt yesterday with the gradual privatization of housing.

Tax System Changes for 1992 Summarized

92CH0397C Prague EKONOM in Czech 5 Mar 92
pp 16-18

[Article by Slavomira Svatkova: "Changes in the Czechoslovak Tax System"—first paragraph is EKONOM introduction]

[Text] Not quite an entire year is left before the new tax system becomes valid, a system that, there is no doubt, will represent the deepest incursion into the distribution and redistribution relationships and income conditions of physical and legal entities in Czechoslovakia in the last 40 years. The object of the following contribution is to compare the individual types of currently valid direct and indirect taxes with the proposed system of taxes which is to go into effect in 1993.¹

Direct Taxes

Direct taxes are those taxes which siphon off a part of taxpayer income in accordance with determined income and property conditions.

A. Direct Taxes Paid by Private Individuals

- A substantial reduction in taxes or in the number of tax laws affecting individuals. The reduction was already begun in 1991 with respect to income taxes and, thus, represents the first process in merging taxes into a single legal arrangement and, thus, also represents the first step toward the equality of rights ascribed to various types of business activities which are not recorded in the enterprise register.
- Expansion of taxes by new taxes and contributions paid to special funds outside of the budget.

With a few exceptions, the currently valid taxation system for individuals channels payments to the centrally controlled economy. This is reflected particularly in the following instances:

- The absence of the principle of justice with regard to taxation; the system of a series of analytical taxes, which tax the income from every income source separately, not only does not provide an overview of the total capacity of the taxpayer (total income), but burdens the same level of incomes in a differentiated manner, depending on which tax these incomes are subjected to. Thus, the tax burden for the taxpayer, rather than being determined by the size of incomes, is dependent on the structure and number of such income sources. Under such a system, it is impossible to assert the category of a nontaxable minimum.
- The absence of the general nature of taxation; this has to do particularly with not taxing the rewards earned by members of agricultural cooperatives and not taxing interest on deposits (while dividends and proceeds from other securities are subject to tax).
- The expressly differentiated effect of social aspects in the individual taxes and in their intensive effects; this stems, on the one hand, from the specific content of

the nonuniformity of the definition of "supported person" and the definition of "disability" as it pertains to individual types of taxes, furthermore, from the differentiated application of various other criteria which are decisive with respect to reducing (increasing) the tax obligation as it applies to individual taxes (for example, marital status, sex, age, as applicable to the tax on wages), as well as on the strong dependence of tax relief measures upon the size of income as they apply to selected taxes.

- The absence of payments of independent contributions to social and health insurance, including contributions to employment funds; the first two are an expression of the state monopoly in the area of social and health care, the final factor is then a consequence of the incompatibility of socialism and unemployment.
- The small reaction of the measure of taxing overall income for private individuals through income taxes when overall income changes. In essence, a zero reaction in the years 1985-88 or a negative reaction in 1988 means that the increase in the overall income of the population resulted in a negligible reaction in terms of taxation, something which had and continues to have an unfavorable impact on the fiscal side of the budget. Among others, this status is the result of the growing weight of incomes not subject to taxation, a decline in the effectiveness of progression in taxes on wages, and express deviations in the flexibility of the proceeds of some taxes.

The fundamental changes in the proposed new taxation system for individuals can be summarized as follows, in comparison to the current system:

- Introduction of a universal income tax, which will facilitate the strengthening of the principle of justice in taxation, assertion of a unified nontaxable minimum (that is to say, an income subject to a zero tax rate), unifying the higher tax rates and the number of tax categories.
- A strong reduction or rescinding of those categories to which a social subtext was ascribed (age, sex, marital status of taxpayer), including unification of the approach toward the content of social criteria.
- Taxing the work rewards of members of agricultural cooperatives.
- Taxing interest and premiums based on savings deposits, and on current accounts deposits.
- The independent payment of contributions for social and health insurance and contributions paid to employment funds.
- Taxing payments in kind (for example, using business motor vehicles for private purposes).
- Assertion of a personal deduction or establishing a nontaxable portion of the tax base in view of the minimum amount of money required to live on, with prospects of valorizing that amount.
- The possibility for including (in a limited manner) the value of gifts and contributions for humanitarian, health, ecological, cultural, educational, physical

training, and other purposes in the nontaxable portion of the tax base, as well as the right to lower incomes by a flat rate amount allowable to cover the expense of commuting from one's permanent domicile to one's permanent place of employment.

- The institution of a completely new tax—a highway tax (it does not pertain to vehicles used for recreational purposes), the rechanneling of selected notary fees into tax categories and the amalgamation of two former property taxes, to be subject to the legal arrangement for real estate taxes; in both of the latter cases, this is not a mere "renaming," but represents fundamental changes in content.
- Pensions, supplemental payments for children, payments and services for social care, and similar income derived from the public system of support remain exempt from taxation.

B. Direct Taxes Paid by Legal Entities

Even in the current system of taxation applicable to legal entities, it is possible to see elements which are typical for the period of central control of enterprises. They can be summarized in the following five points:

- The varying intensity with which individual entities are taxed, first of all in accordance with the type of ownership (state, cooperative, municipal, etc.), outwardly represented by three different systems (payments made to the budget, income tax, and agricultural tax); second, differentiation in accordance with the branch of industry (previously, higher rates were assessed against monetary institutions, lower rates applied to the construction industry, energy industry, etc.); third, according to whether the corporation is a domestic corporation or a corporation with foreign property participation in excess of 30 percent of its basic capital.
- The individualization of ties between the state budget and the enterprise sphere, represented in the past by supplemental payments and currently still by transfer payments involving the free remainder of any profit (transfer payments in accordance with the financial plan).
- A sizable differentiation in the rates of contributions for social security—essentially, beginning with 50 percent as a basic rate and ranging through the nonpayment of contributions for budgetary and contributory organizations (the average rate is around 30 percent).
- Expressly differing conditions applicable to the possibilities of asserting deductions lowering the tax base (or the computed tax), not only among the three above-named systems, but also among the taxation system applicable to people in private business who have a standing as a legal entity on the one side and private individuals on the other side (for example, the deduction of losses, the inclusion of gifts, etc.). The differences in the approach toward taxing the income of legal entities and private individuals in business for themselves do not represent the only differences; there is, for example, the system of bookkeeping, the

payment of the sales tax, the size of contributions for social security, etc.

- In the course of 50 years, the buildings, structures, and other property owned by state, cooperative, and communal organizations were gradually exempt from having to pay housing tax and this status persists to this day.

The principal changes of the system for taxing legal entities, which is under preparation, can be briefly summarized as follows:

- Introduction of a universal tax on the income of legal entities as a prerequisite for strengthening fairness in taxation and creating equal competitive conditions on the tax side for various ownership entities and business areas.
- Expanding room for assertion of deductions from the tax base (gifts and contributions, losses, etc.), including the unification of these provisions for all entities.
- Doing away with transfer payments based on write-offs, price transfer payments, regulatory transfer payments to support wage development, and providing balance in the area of investments and contributions designed to partially compensate for the costs of social security, which have been paid by agricultural cooperatives since the second half of the 1970's as "replacement" for a wage tax, from which members of agricultural cooperatives are exempt.
- The introduction of new taxes—highway tax, taxes to protect the environment, and real estate taxes, with the latter representing a newly introduced tax on construction projects and reworking the principles applicable to a tax on land plots.
- Expansion of the contributions paid outside of the budget system by adding contributions for health insurance and for purposes of employment.
- Providing the opportunity to choose between a linear or degressive form of writing off basic assets and nonmaterial property, including the opportunity for a one-time write-off.

Indirect Taxes

Indirect taxes are taxes collected within the price of purchased goods and services rendered, both of domestic and also foreign origin. Taxes burdening the consumer (a private individual or a legal entity), who essentially bears the tax burden; manufacturers or importers are only payers of taxes into the budget.

At first glance, the table indicates that, in contrast to the previous system, the system of indirect taxation is "slimmer" from the standpoint of the number of taxes involved. However, this does not take away from their complexity nor from the extent of the changes which are ongoing through the date of the beginning of the tax reform.

System of Indirect Taxation

Up to 1990	Status in 1992	As of 1993
Sales tax	Sales tax	Value-added tax
Negative sales tax	Import tax	Consumer taxes
Supplemental tax		Import tax
Price difference tax		
Differences in domestic market		

In essence, up to now, taxation of sales volume in Czechoslovakia has been taken care of by a single legal standard—the sales tax law.

Until 1990, a number of its elements reflected the central planning approach in directing the economy and price policy. This was reflected particularly by the following:

- The existence of a negative sales tax which represented subsidies added to centrally determined food prices and energy prices and which, thus, fulfilled the function of an instrument of social policy as well as an instrument which distorted the signals passing between production and consumption.
- In the one-time collection of a sales tax based on the prices of the final product, a tax which only had a consumption character.
- In the considerable number of rates (as many as 1,600) of the sales tax, applicable to individual types of products or their groups with a specific scatter consequence.
- In the discriminatory tax rate, the proceeds of which took on a decisive position and fulfilled the function of "flexibility" among two mutually independent administered prices.
- In the cumulative effect of the decisive volume of the tax upon five to six types of products (gasoline, alcohol, tobacco, coffee, tea, automobiles and their spare parts).
- In the unconnected nature of price relationships (retail prices, wholesale prices, buying prices, purchase prices) as a consequence of applying differing rates, supplemental taxes, price differences, etc.
- As a result of the existence of differences in the domestic market "supplementing" the import tax and the transfer of such payments by foreign trade enterprises.

Beginning in 1990, there were a number of important modifications, which continued in the subsequent year. They consisted of doing away with the negative sales tax, with the differences in the domestic market; in 1991, the negative sales tax was finally eliminated, as was the supplemental sales tax, the price differences, the practice of differentiated tax rates was abandoned, as was the practice of using pricing provisions which were isolated from each other. The number of tax rates was expressly restricted to four basic ones (currently at 0, 11, 20, and 29 percent), with the proviso that selected types of products would be subject to higher taxation (alcohol, cigarettes, jewelry, tea, coffee, etc.). As of January of this year, an import tax was introduced which prevents the

evasion of taxation particularly of private individuals engaged in foreign trade activities who import goods within these activities.

The fundamental principles of the new system are based on the need to adapt to the harmonizing tax system in use in the countries of the EC; it is based on the following pillars:

- Introduction of three standards—tax laws, which introduce, first, a general (universal) taxation of domestic products and services (a value-added tax—VAT); second, the specific (selective) taxation (an action or consumer tax levied on selected types of goods); and third, the taxation of products and services of foreign origin (import tax).
- The core of indirect taxation is the tax on added value (VAT) which safeguards neutrality from the standpoint of the organizational structure (the tax burden is not increased with the growing number of processing steps), the types of products (means of production and consumer items are taxed), the allocation picture (it does not distort economic selection; the smaller the number of rates, the stronger this argument becomes), enterprise management (does not impact on profits, costs, or profitability), and the business area (payers are production as well as commerce).
- Consumer taxes are applied on the basis of a firm rate per unit of motor fuel, alcohol and distilled beverages, wine, beer, tobacco and tobacco products; apart from their fiscal motivation, these taxes have as their goal the lowering of demand for socially undesirable products.
- The motive for introducing the import tax (which, among others, has rates which are similar to the rates for the VAT) is to tax foreign goods moving to the borders of the importing country without being subject to domestic tax conditions; in applying the same tax rates as those for similar goods of domestic origin thus creates level tax competitive conditions for domestic as well as foreign goods and services.

Currently, work on the creation of the language of the individual tax laws is culminating at the various ministries of finance. In other words, this is no longer a question of discussion as to what type of taxes should be introduced, but it is a matter of the specific content of individual tax elements: the object of the tax, the extent of deductions, the exemption from taxes, the level of tax rates, the assessment of taxes, etc. It can be anticipated that in discussing the individual taxes within the government and the representative bodies there will still be many modifications and much discussion.

Footnote

1. The contribution is based on the proposals of principles involving individual taxes, worked out by the federal and republic ministries of finance in 1991. It is possible to approach the tax breakdown from various positions; in the contribution, a basic breakdown for

direct and indirect taxes has been selected; with respect to the former, there is a deeper breakdown according to physical and legal entity taxation. I am even including contributions made to special financial funds in the system, because they have an express influence upon the resulting disposable income of taxpayers.

Tax System Viewed, Reform Deemed Imperative

92CH0416C Prague EKONOM in Czech 19 Mar 92
pp 20-21

[Article by Jan Klak: "The Legislative Risks of Tax Reform"—first paragraph is EKONOM introduction]

[Text] Our current taxation system is reminiscent of a second-hand winter coat. It is unmodern, it hangs poorly, and is bursting at the seams; threadbare places and holes facilitate billions in tax evasion. These loopholes defy monitoring in the current system and play into the hands of dishonest people. The new tax system, which is being readied for an effective date of 1 January 1993, is, thus, expected to result not only in stability in state revenues, but is expected to particularly impact on those people who regard the essence of the concept "market" to lie in the expression "to tear off a sharp deal." The codification of the entire complex system required great effort and was accomplished in an unbelievably short time. We have requested Eng. Jan Klak, deputy minister of the Federal Ministry of Finance, to tell us whether this key instrument for our economic transformation will actually be available on the first day of January of next year.

An inseparable portion of the scenario of the economic reform in the CSFR is creation of tax legislation which conforms to the mechanism of the marketplace. That is why the Government of the CSFR approved a concept for a new taxing system in the middle of 1990, a system based on the assertion of the following types of taxes:

- A value-added tax.
- A consumer tax.
- An individual income tax and an enterprise and corporate tax.
- A highway tax.
- A real estate tax.
- A real estate transfer tax.
- An inheritance and gift tax.
- An environmental protection tax.

Jurisdictions Pertaining to the Tax Area

The new tax system is supposed to be introduced as of 1 January 1993 and its overall framework will be outlined by a federal law on the taxing system. Valid constitutional distribution of jurisdictions further makes the federation totally responsible for the legislative process regarding the value-added tax and the consumer tax. As far as individual income taxes and corporate taxes are concerned, the federal law will determine the object of taxation, the tax base, the circle of taxpayers, and the starting tax rate. Additional tax conditions (deviations

from the initial tax rate, the exemption of taxpayers, etc.) will be determined by supplemental laws on the income tax, issued under the jurisdiction of the republics. All remaining tax laws, including environmental protection taxes, are currently under the jurisdiction of the legislative bodies of the republics.

The process of creating new tax laws is immensely complicated primarily by two fundamental facts. The first is the fact that we are in a period of change affecting virtually the entire Czechoslovak body of legislation. For example, a new Civil Code, a new Commercial Code, laws facilitating the transformation of ownership relationships, a law on banks, laws on wages and employment, laws on the army and the police have been processed and approved and preparations are under way for laws facilitating the functioning of a capital market, etc. However, a number of essential legislative standards are missing thus far (for example, a new customs law, laws on funds and endowments, etc.) which reduces the effectiveness of the tax laws, which have to deal with appeals invoking missing standards. Moreover, during the general restructuring of the entire Czechoslovak legislature only limited time is available for qualified discussion, judging and approving of tax laws, both in the various government bodies and also in the various legislative bodies.

A second serious obstacle to the smooth adoption of tax laws is represented by the nationalist and separatist tendencies which, in the perception of some politicians and political parties are tantamount to fragmenting the federation and creating two sovereign states. The search for a compromise solution which would preserve the advantages of the federation essentially leads to discussions regarding a new constitutional distribution of responsibilities among the federation and the republics. This discussion, which is, for the time being, taking place primarily at the level of the republic parliamentary representations, very soon also encountered the question of dividing legislative responsibilities in the area of taxation. Any agreement which has thus far been arrived at at this level is truly only very general and fragile. However, without regard to any agreements and to the need to preserve a unified market, a portion of the political representation has adopted a criterion of so-called national specifics—clearly with the goal of gaining the votes of nationally feeling voters in the June elections. Specifically, what is involved here is such arrangement of tax jurisdictions which would make it possible to assert a differentiated approach toward taxpayers on the territory of the individual republics.

Progress Chart of Tax Reform

The legislative process of working out, discussing, and approving new tax laws is going on in this tense atmosphere, which is characterized by a dominant effort to create a new functioning and vital constitution. The progress chart of tax reform adopted by the government anticipated the approval of the majority of the tax laws in two steps which are related as to substance and timing:

- In the first phase, the principles of the laws were to be processed and discussed and approved in the legislative bodies.
- Subsequent to the approved principles, the language of the laws was to be processed, discussed, and approved.

A time horizon up to 1 August 1991 was established for working out, discussing, and approving the principles for federal tax laws. Despite the fact that the proposed principles for the laws were submitted to the Government of the CSFR and to the governments of the republics as early as the end of April 1991, there were delays, both within the governments as well as within the parliaments, and the principles were not discussed with final validity in the appropriate committees of the Federal Assembly until the second half of October 1991. Then there were only three months left to take into account any markup comments stemming from the discussion and working out of proposals of the language of the law within the jurisdiction of the federation (the value-added tax, consumer taxes, and income taxes), because the final deadline for submitting the language of these laws to the Government of the CSFR and the governments of the republics was set for 13 February 1992. This deadline was met only at the cost of totally extraordinary efforts on the part of all employees sharing in the creation of the tax law proposals. The rapid processing and appropriate substantive content of the new tax laws was influenced to no small extent by the disinterested assistance rendered by specialists from the IMF, the PHARE [originally Economic Reconstruction Aid for Poland and Hungary] Fund, the OECD, and other institutions.

In view of the June deadline for the elections and based on the principle that two months prior to the elections, the parliament cannot act as a legislature anymore, the tax laws within the jurisdiction of the federation must be discussed within the plenum of the Federal Assembly by the end of April of this year. In the event the discussion and approval of new taxing laws does not occur for any kind of reason, this will mean a one-year delay in tax reform for strictly practical reasons. Even if the new legislative bodies were to discuss and approve the new tax laws at the fall session, it is necessary to figure on a minimum of six months for an information campaign and the creation of additional prerequisites before taxpayers and tax organs can begin effectively working with the new laws.

This all involves such a substantial incursion into the economic rules of the game that in asserting the new taxes only for the second half of 1993 would result in an immensely chaotic situation for financial organizations which would only be able to master the situation with great difficulty. So that the closest next deadline for realizing tax reform would be 1 January 1994.

Legislative Problems

In the interest of objectivity, it is necessary to state that the risk of approving the new tax laws by the April

deadline is considerable at the moment. This primarily involves the fact that the proposal of a law on the value-added tax and on consumer taxes is in conflict with valid constitutional distribution of authorities. According to Article 12, Paragraph 4, of the amendment of Constitutional Law No. 143 on the federation, the administration, execution, and control of all taxes is within the jurisdiction of organs of the republics, that is to say, of the finance offices (on the territory of the Czech Republic) and of the tax offices (on the territory of the Slovak Republic).

With respect to taxes related to imports of goods as well as the future highway tax, which is collected from operators of transport media with seats abroad, there is no other way out except for this administration, execution, and control to be conducted by customs organs. However, customs organs are naturally organs of the federation. In addition to these logical connections, the fact that customs organs in developed market economies customarily have authority over the administration of these taxes forms the foundation of the justified anticipation that, in the CSFR, it would be totally irrational to attempt, at great administrative costs and at great technical complication and also at great financial costs, to position tax organs alongside customs organs at border crossing points.

That is why, at the same time as the proposal of the tax laws was presented to the Government of the CSFR and to the governments of the republics, a proposal was submitted for amending the existing constitutional division of authority, making it possible to entrust the administration of taxes connected with the importation of goods and with the highway tax at border crossing points to the jurisdiction of the federation. However, if the proposed new constitutional law is not discussed and approved on time, the proposals for the appropriate tax laws will not pass through the legislature.

Additional risk is represented by the timely discussion and approval of the republic laws on tax administration. These laws must satisfactorily resolve questions of the registration of taxpayers, among others, conditions and the course of tax proceedings, the form and the modalities of tax assessment, sanctions for failure to fulfill tax obligation, etc. The tax laws of the federation do not address these facts, because the legislation connected with the administration of taxes is unequivocally entrusted to the jurisdiction of the republics. If a time disproportion in legalizing the tax laws and the tax administration law were to occur, the tax reform could not be implemented as of the stipulated date. Similarly, differences which can crop up in the approach and the formulation of the substantive content of tax administration laws among the republics can have destructive effects with regard to the introduction of new taxes.

It is very difficult to propose tax rates on income when the laws on funds of social and health insurance and on the employment fund have thus far not been worked out and approved—laws which, in addition to legalizing

insurance funds, would also contain rates for contributions made to these funds. This problem has very strong social and subsequently political accents, because the population must also share in providing compensation for the expenditures made by these funds. It is assumed that the cumulative total of contributions to these funds paid by citizens and income taxes should not, in comparison with the current situation, lower the overall level of net income to such an extent that it would result in worsening the social level of the population. That is why all tax laws within the jurisdiction of the federation include the possibility of using the state budget law to alter the approved level of tax rates.

The final risk connected primarily with the introduction of the value-added tax and of the consumer taxes is the transition of the CSFR to the use of new numerical codes for designating products and services. These are classification codes used in the countries of the European Community which are supposed to be effective in the CSFR as of 1993. The proposal of the law on a value-added tax is based on a basic and reduced rate. Products and services subject to the reduced tax rate must already be identified in the proposal numerically, while the new classification code will not be known until some time in 1993. A substitute solution, calling for use of the coordinated customs code for products is not ideal and embodies the potential possibility for tax evasion. With regard to services, there was nothing else to do except to utilize hitherto valid numerical codes for taxing purposes so that when making the transition to the new system of classification, there will be a need to amend the appropriate taxing laws in every case.

In conclusion, regarding all of these considerations, there is no choice but to state that at the end of the election period the legislative bodies are faced with the realization of one of the most significant steps in the Czechoslovak economic reform. I do not believe that precisely this period is the happiest one with respect to an objective evaluation of the tax laws. Nevertheless, I would like to express the hope that the time line for tax reform will be successfully adhered to and that the changes which will surely occur in the proposals of the tax laws following their discussion in the governments and parliaments involved will be wise and will be of benefit to the substance at hand and to us all.

Czech Republic Minister on Privatization

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pp 16-17*

[Interview with Tomas Jezek, Czech Republic minister of nationalized property management and privatization, by Libuse Bautzova; place and date not given: "The First Wave Will Break It Up, and the Second Will Finish It"—first paragraph is EKONOM introduction]

[Text] Large-scale privatization is not only the central topic for all kinds of communications media in recent times, but weighs heavily on the minds of all those who

have decided to personally participate in the privatization process—be it as holders of investment coupons or perhaps as direct buyers. We have progressed a step further on the progress chart; the so-called preliminary round has begun, in which privatization funds have the right to vie for the favor of investors. For the Ministry of Nationalized Property Management and Privatization, however, this does not mean that the process of approving proposed projects for the transfer of enterprises to private ownership has ended by far. We therefore asked Tomas Jezek, minister for nationalized property management and privatization of the Czech Republic, for an interview.

[Bautzova] Mr. Minister, can you say, by way of an introduction, whether the preparations for coupon privatization, the approving of projects, and everything that is connected with it is progressing in accordance with your ideas?

[Jezek] Approximately, yes; it is in accordance with my ideas. I always said that we will need two months more because, according to the original plan of the Ministry of Finance, only 10 days were allocated for the processing of thousands of projects. By the middle of March, we would like to have the offering of enterprises for coupon privatization ready.

[Bautzova] So that there are no problems?

[Jezek] But yes. The fact that we are collecting everything piecemeal is a problem. The entire 140 billion korunas [Kcs], which are to form the offering side of coupon privatization, must be assembled from small corporations. It is very labor intensive, even though it is surely of interest to investors—the offering will be variegated. But there are entire sectors which will be excluded from the first wave. Let us say all metallurgical plants, which are awaiting restructuring studies; they are not to be ready until spring; and the founding ministry is asking us to not release any of this property for coupon privatization, but rather to hold it in the Fund of National Property of the Czech Republic.

[Bautzova] And what are your views? Understandably, the approval of projects involving large enterprises would make work easier insofar as fulfilling the volume of property which is to be privatized by the coupon method is concerned.

[Jezek] I believe that it would be possible to release some 20 to 30 percent of all metallurgical enterprises to coupon privatization immediately. However, there is the risk that potential foreign partners might be frightened off. Large projects would really help us a lot. As far as the volume of work is concerned, it makes no difference whether a project for a small or a large enterprise is being approved. Except that we must approve many more small ones.

[Bautzova] As you have said, in the middle of March the offering of enterprises will be ready for coupon privatization. Does this mean that, in the meantime, you have

been orienting your approvals primarily toward enterprises to be privatized by the coupon method?

[Jezek] Yes. Naturally, we have encountered other privatization methods as well; some enterprises even have several tens of projects.

[Bautzova] Is it possible to say that privatization by the coupon method enjoys a certain greater sympathy in the process of approval?

[Jezek] Oh, no. We are pursuing four strategic goals through privatization: the influx of foreign capital, restitution, direct sale, and transformation of our citizens into stockholders. The last of these goals is being realized through coupon privatization. However, potential conflicts exist between these goals—for example, between coupon privatization and the interests of Czechoslovak private entrepreneurs who wish to acquire property directly.

[Bautzova] In this direction, is the Association of Czechoslovak Businessmen attempting to influence you?

[Jezek] They constantly remind me that it is not possible to succumb to pressures designed to increase the volume of property to be privatized by the coupon method because they wish to purchase property directly.

[Bautzova] Do you agree with them? Do you believe that even in the case now that the number of investment couponholders has risen to above eight million, that it is not good to increase the volume of property available for coupons?

[Jezek] I believe that direct ownership is better than privatization with coupons. Even given this number of holders of investment coupons, the per holder property value is Kcs30,000 and that is okay. But to return to the previous question: Coupon privatization does not have any priority, but Kcs140 billion in the value of the offering must be found.

[Bautzova] What percentage of the overall volume of submitted projects has thus far been represented by competing privatization projects?

[Jezek] This is very difficult to respond to. There are some areas, such as the foodstuffs industry, particularly breweries, meat industry facilities, dairies, where there were from 50 to 80 competing projects per single enterprise. On the other hand, with respect to research institutes or in the field of energy or mining there was generally only one project.

[Bautzova] And as far as projects which have been approved are concerned? What is the score in terms of basic ones and competing ones?

[Jezek] It is approximately 50-50. Sometimes there is a basic project calling for direct sale and a competitive project proposes coupon privatization; sometimes the situation is precisely reversed. It varies.

[Bautzova] Do you have an overview over who, for the most part, is submitting competing privatization projects? Are these employees of the enterprise or the former managers?

[Jezek] There are enough cases where the management of the enterprise creates a corporation with limited liability and strives to achieve a direct purchase. We have such an interesting experience involving breweries. There, the enterprise management—and I stress that they are qualified specialists, a sort of “elite”—is establishing a corporation with limited liability and is working out projects according to which they would be allocated 30-35 percent of the securities. We did not want to approve that because it did not look to us to be in order as a general method. But it turned out later that in the brewery community this method was being recommended by all as being desirable and that the employees of the enterprise wish it to be handled precisely in this manner. In the end, these projects were approved to the satisfaction of everyone. However, that does not mean that this model would be usable, say, in the engineering industry. Each sector has its own specific spirit.

[Bautzova] One of the important criteria for judging a privatization project is the proposed business intention. Is this not a bit tricky? What are the guarantees that the future owner will actually live up to his promises?

[Jezek] The business intention is only one of the factors. A whole lot depends on the overall culture of processing the project. For the most part, as soon as you take a project in hand you will recognize right away whether the person submitting it has everything in order or not. If the project has all of its appurtenances, if it has a well-documented method for acquiring the property, if it has settled restitution claims, etc., then it inspires confidence.

[Bautzova] Nevertheless, this cannot be decisive. You do not give preference to any particular methods, you do not take too close a look at the business intention. Neither the laws nor decrees stipulate any criteria for judging projects, but you surely must be guided by something in giving your approval....

[Jezek] It is the overall processing, the overall concept, there are a whole lot of factors. Understandably, even we can be wrong—and we certainly also make mistakes sometimes. In cases where we have any kind of a doubt, we attempt to release the enterprise to public competition or attempt to auction it off so as to avoid having to make subjective decisions.

[Bautzova] In other words, there are no model projects about which one would know ahead of time whether the answer is yes or no?

[Jezek] We know for sure that we would not approve a project in which the most lucrative portion of some kind of whole entity had been torn off and the author of the project has no interest in the remainder. On the contrary, such projects where someone who has had property

restored to them wishes to make a supplemental purchase of a certain portion, automatically get priority.

[Bautzova] Have there been many projects proposing direct sale? How do you proceed in such a case?

[Jezek] There are truly many such projects. In cases where there are not more than three interested parties, we try to make a decision; otherwise, we declare a competition, auction, or we institute selective proceedings. In cases of direct sale, we always seek information about the buyer from the okres privatization commissions. In addition to that, he must prove that he has the money.

[Bautzova] Projects which come to the desks of the privatization commission in your ministry are first judged by the founding ministry. In cases where the founder does not recommend a project, does he attach a justification of his position? To what extent does such a document assist you?

[Jezek] For us, the position adopted by a founder is not binding. Unfortunately, it frequently happens that the founding ministry will recommend several competing projects to us for a single enterprise and that these projects are then mutually in conflict. This does not make our work a lot easier.

[Bautzova] You have proposed an amendment of the law on large-scale privatization. It was also applicable to enterprises destined for liquidation.

[Jezek] Yes, that is a problem we have known about for some time. What concerns us is that the regime of liquidation should not evade the regime of large-scale privatization. That means that even liquidated enterprises should have their own privatization projects worked out. Otherwise, this would support the efforts of the managements of some enterprises to bring them to the worst possible status.

[Bautzova] Until recently, a lot of enterprises were complaining of the nonsensicalness of the blocking section. Now, in contrast, there is talk that this section is being circumvented in every possible way and that a disproportionate number of exemptions are being permitted.

[Jezek] The Economic Council very strictly considers where exemptions are to be granted, this process is even subject to approval by the Presidium of the government. I believe that all is in order here. Thus far, this was applicable only to such property which was not suitable for auctioning or for any other method of sale, but which had to be purged from the enterprise in question. Of course, blockage can be kept up for some time, but not for a year. The natural life of an enterprise cannot permit it—say, they need to sell a wobbly chair, they must ask the government for permission.... On the other hand, it is desirable for them to be rid of that property which they do not need.

[Bautzova] A certain portion of the property or rather the securities of privatized enterprises will be retained in the Fund of National Property for purposes stipulated by law. How will you act in the event some project proposes that a certain portion of the property be retained in the fund—a portion of the property which you had not counted on?

[Jezek] We would not approve this in any event. This can be approved only if it is clearly documented that negotiations with a foreign partner who is supposed to be interested in the share in the enterprise will be ongoing in a very short time. Moreover, this decision cannot be made by the enterprise alone, but by the founding ministry—as is the case, say, in the metallurgical industry.

[Bautzova] And what about the case where the privatization project proposes that part of the securities remain in the fund for future sale by the banking system?

[Jezek] That is another matter. We actually need such projects because we have to pay out Kcs30 billion which the Fund of National Property owes the banks. When we made the decision to eliminate the debts of enterprises, we must find the means to pay for this debt. If one enterprise wants to eliminate debt, then one must count on the fact that some other enterprise will be sold. And because we will not place many of these on the domestic market, they must also be subject to sale abroad. However, in such cases the fund will decide when and through which bank the securities are to be sold.

[Bautzova] And what about the case in which the privatization project will propose that a significant portion of the securities goes to the communities?

[Jezek] There are two types of proposals which we immediately disallow: the cost-free transfer of securities to banks and to communities. Communities can receive securities only as an exception in cases where an enterprise is contaminating the environment of that region and in similar circumstances. However, we transfer such real property as elementary schools, cultural houses, apartments to communities without any problem, but the communities must understandably desire this. We have seen cases where an enterprise would like to transfer certain property, but the community had no interest in acquiring it.

[Bautzova] How often do you encounter a so-called gilt-edged security?

[Jezek] This only happens in certain special cases. It means that the owner of such a gilt-edged security, the state, has certain rights which must be precisely outlined in the project. This could involve, say, some research institutes who receive a guarantee in this form that they will preserve the object of their activities. The case of Barrandov is perhaps interesting. The land parcels which are at Barrandov are absolutely unique—the horizon is absolutely clear, whereas everywhere else you will find some kind of church tower or a building. A gilt-edged

security here will contain the provision that nothing will ever be built in this area and that this rarity will remain preserved.

[Bautzova] Let us return to the Fund of National Property. Can it be said that it will act as an entrepreneur with respect to property which it will hold?

[Jezek] No. Definitely not. It will care for and administer property. There are isolated cases where a certain enterprise must be speedily transformed into a stock corporation because a foreign investor, who is interested in it, does not know how to communicate with a state enterprise. This was the case with the Poldi Foundries. And this occurred solely through the fund. But this is not entrepreneurial activity. Not even in cases where, within the fund, a part of the securities will be destined for future sale, as I have already spoken about, the sales will not be handled by the fund itself, but will be entrusted to a bank.

[Bautzova] The so-called preliminary round was initiated in the middle of February. What do you say to the number of funds and the interest the citizens have in investing through them? The fear of excessive fragmentation of ownership under coupon privatization has now changed to fear that the individual funds will exert excessive influence.

[Jezek] Yes, we were afraid in the beginning that ownership would be fragmented. I see the funds basically as a good thing: particularly, the entire series of those specialized, sectorwide, regional ones. I believe that even the small ones will be of interest and that they will play an important role, for example, in connecting agriculture with the processing industry, etc.

[Bautzova] Do you still intend to pull the licenses of some funds? Is that actually within your purview?

[Jezek] Yes, I can pull their permits. However, for the present, I do not have sufficient qualified proof in order to do that. Laws in this country are so "liberal" that almost anything is possible. For example, we are totally unfamiliar with the concept of speculation. I have found out that some funds have bought up coupon booklets, but I can do nothing because they were able to do so—legally—unfortunately.

[Bautzova] In connection with the problems caused in recent weeks by the CSAD [Czechoslovak National Freight and Bus Transport Enterprise], it looms as essential to undertake the immediate privatization of automotive transportation. Do you agree with this view?

[Jezek] I am looking forward to it very much! Privatization of the CSAD is expected to occur during the first wave. In the meantime, those parts which can be privatized are being privatized, that is to say, primarily the automotive freight transportation component. Hitherto, the CSAD has lived pretty much like the majority of our enterprises: the profitable and vital parts supported the

dead ones. Passenger transportation will likely have to be subsidized in this country, as is the case everywhere in the world.

[Bautzova] In conclusion, a mathematical-philosophical question. Will Czechoslovakia have an actual market economy at the end of 1992? Will the property of private corporations predominate over state property?

[Jezek] Certainly. I believe this will occur even sooner. The first wave will break it up and the second will put the finishing touches to it....

Economic Turnaround Claimed by Zlin City Area

92CH0416D Prague HOSPODARSKE NOVINY
in Czech 17 Mar 92 p 11

[Article by Frantisek Navratil, Zlin Employment Office: "Zlin Reporting Turnaround—Number of Jobs Is Increasing"]

[Text] Zlin Okres has now had the lowest unemployment rate in Moravia for approximately six months: It is around 2 percent, which is half the average for the Czech Republic. Currently, the Zlin Employment Office has registered only 2,191 job applicants, which amounts to 400 less than at the beginning of the year.

The development of employment in the above-mentioned okres was characterized throughout last year by a slow, but continuing growth in the number of jobseekers (as was the case all over the republic anyway). The number of jobs was not increasing and the jobs available throughout the year remained at a level of around 400.

Then came March and everything was different. The number of unemployed dropped sharply and the number of available jobs jumped. Most of the credit for the situation goes to the law on employment, according to which both the level of unemployment support and also the duration of unemployment benefits are curtailed.

What is very interesting in this connection is the fact that, from the beginning of the year, the number of available jobs rose by 700. At the beginning of March, there were 1,218 job opportunities (including 1,055 for blue-collar workers and 163 for technicians and clerical workers). Credit for this situation goes primarily to the stability of the largest employers in the okres, for example, the Precision Machinery Plants, Barum Otokovice, as well as the Svit Enterprise. Additional job opportunities will result from the development of private enterprise which has provided 300 jobs in March alone.

A third factor which is beneficial to the labor market is the active employment policy of the labor office. Just during this year, the labor office has supported the creation of 300 new work opportunities in the communities and towns of the okres within the framework of the public works program.

For hundreds of citizens of Zlin Okres, the vision of unemployment has become not only a distant threat, but also a specific impetus to taking their fate into their own hands and to beginning private entrepreneurial activities. In the okres, there are almost 23,000 entrepreneurs and one-third of them engages in entrepreneurial activities as the principal activity. For entrepreneurs, the Employment Office in Zlin is preparing to establish a regional consultation and information center, under the sponsorship of the Ministry of Labor and Social Affairs of the Czech Republic, as one of the activities of the Czech government in support of small and medium-size business. In addition to the classical consultation services, the regional office will offer economic analyses, business plans, assistance in entering the market, information, and business contacts, and it will do so not only within the confines of the Zlin region.

The employment office considers requalification to be one of the fundamental elements of its active employment policy. Last year, some 453 persons graduated from retraining courses. In addition to bookkeeping, economics training, along with language training and computer equipment, considerable interest was also shown in professions in which the unemployed wanted to function as entrepreneurs. Thus, the okres gained tailors, cooks, bakers, printers, opticians, etc. Within the framework of converting armaments production at the Vltavy Engineering Plants at Slavice, some 50 workers changed their professions, others attended courses in enterprises which were changing their production programs.

Last year, the employment office spent 2 million korunas [Kcs] on retraining. In the first half of this year, six new retraining courses are starting up. Considering the critical variation of unemployment development, which could result in as many as 10,000 unemployed, the employment office is prepared to expend over Kcs3 million on retraining programs just in the first half of this year alone.

It would seem that currently, unemployment is not a serious threat in the okres. As has been shown in recent days, when one of the fundamental pillars of employment, the giant Svit Footwear Plant, stumbled, it is possible for the critical variant of the unemployment situation to become a reality within a very short time. That is why the Zlin Employment Office is scanning the horizon these days and is using its active employment policy to assist in the creation of new job opportunities.

Drug Trafficking, Russian Mafia Network Outlined

AU0804084892 Prague MLADA FRONTA DNES
(Weekend supplement) in Czech 4 Apr 92 p 1

[Article by Jan Rydl and Sabina Slonkova: "Report on Big Brother's Sons"]

[Excerpts] According to the Foreign Nationals Registration Office, the number of CIS [Commonwealth of

Independent States] citizens that have arrived in our country since the beginning of this year exceeds the number of CIS citizens that have left Czechoslovakia in the same period by 6,000.

According to some estimates, there are over 3,000 of them illegally residing in Prague alone. The contract killing of a Russian in Karlova Street in Prague and the attempted murder of a Ukrainian disturbed our public some weeks ago. According to information available to us, it is a case of open gang warfare. [passage omitted]

Protection Money

Another dirty practice of CIS Mafia members is the extortion of money for protection. They visit private investors and companies—you either pay a fee for protection or your shop or firm will be destroyed. The protection fee is between 5,000 and 8,000 korunas a month in such cases.

Weapons, Drugs, Prostitutes

Drugs and weapons belong indisputably to the merchandise of organized crime. Weapon smuggling is more difficult, that is why the Russians concentrate mostly on drugs. For example: 100 kilograms of heroin is worth roughly a wagonful of Scorpion-type submachine guns. However, this is true only when the weapons were not stolen, but bought illegally. In connection with drug deals, the Mafia has succeeded in controlling some Prague hotels and restaurants, where they pay the bartenders, receptionists, and collect money from pimps.

Money Laundering

In Prague, there are approximately 120 trade organizations whose owners or associates are citizens of the former USSR. However, police are unable to prove their corrupt activity—partly because their activity does not contradict CSFR law. Only the initial capital comes from illegal trade in arms and narcotics.

The Mafia's First Steps on Our Territory

For the CIS gangs, Czechoslovakia is a strategic country. It neighbors with the countries that are the principal consumers of illegal merchandise. The Russian Mafia's port of entry to Czechoslovakia is Kosice. At present, this border town can be described as the sorting plant.

First, CIS Mafias sent their people to test the ground and the market. The first wave contained professional killers, specially trained young men under the age of 30. Afghan veterans, too, were among them. They prepared the ground, "cleaned up" individual regions, and gained space for their activity. The Czech underground must choose: either it becomes a part of the imported Mafia system, or it wages a war in which it risks its own liquidation. This is exactly what happened recently in Katowice and Warsaw in Poland.

One year was enough for the Mafia to test the ground. Then, the second wave came. They were trained in the

language and were fairly intelligent. This team was able to acquire space for their operations also in a legal manner.

The Legislature

For some 10 CIS gangs, Czechoslovakia is, owing to its location, an ideal transit route to West Europe. In order to start prosecuting individual gangs, it would first be necessary to carry out a survey of criminal activity in the former USSR. European intelligence centers are only now becoming aware of the situation. Cooperation with the CIS countries' police, as well as with the CIS Embassy, is almost nonexistent. If it is proved that one of the gangs has been engaged in criminal activity, the delinquents are handed over to the CIS Embassy. The Embassy takes an unbelievably long time to verify their identity. Moreover, the former USSR does not accept their own citizens without documents. The most efficient method would probably be to deport them and to report it to their Embassy. However, if someone simply destroys his documents, he can completely circumvent even this solution. The Czechoslovak Police has only 24 hours to prove the identity of the apprehended person.

One of the Czech Bosses of the Prague Underground Speaks

"The shooting in Karlova Street was only a culmination of the war to control the Royal Road, a war that lasted several months. If this had not happened, everyone would pretend that there is no Russian Mafia here. This is a big mistake. The Russian Mafia has been here for a long time. Its members are not only Russians, but also Ukrainians, Uzbeks, and aggressive Chechens. Some of our guys let themselves to be wooed to their side. They pay at least twice as much as we do. Uzbeks even began selling drugs down in Wenceslas Square, but they met with the resistance of Arabs there. However, Russians are better organized and disciplined, and they have the advantage that, at the first sight, they cannot be distinguished from Czech illegal money changers. No one can imagine how vast their network is. It is actually impossible to prove anything to them. They are professionals. You cannot imagine what will happen here some day—what they will get involved in."

Big Brother Threatens Europe

Last year, 26 metric tonnes of narcotics were confiscated and 28,000 people were arrested in connection with drug deals in Ukraine. Specialists agree on the fact that the yearly production of narcotics in the former Soviet Union highly exceeds that of the [rest of the] world's. Hemp is grown in the CIS quite freely and without any supervision. In Uzbekistan alone, opium poppy seeds are grown on 300,000 hectares every year. According to the EC countries, 80 percent of the narcotics designed for West Europe goes through Czechoslovakia. In Poland, the Mafia took over the distribution of narcotics to Scandinavia, having almost liquidated the local underground. Prostitution in the Polish docks is exclusively in

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its hands. The rivalry between the gangs of the big brother's sons and our small Mafias is not only the underground's affair. We must realize that after their

territory and the underground is completely under their control, individual businessmen will be terrorized, and this, according to our information, has already begun.

Horn Views Advantages of NATO Membership

*AU1304092792 Budapest MAGYAR HIRLAP
in Hungarian 9 Apr 92 p 4*

[Interview with Gyula Horn, chairman of the Hungarian Socialist Party, by Pal Szombathy; place and date not given: "NATO Membership Could Further the Development of Hungarian Democracy"]

[Text] "The parliament's claim to NATO membership could mean a confirmation for the now hesitant West," Gyula Horn told MAGYAR HIRLAP on the occasion of his submission of an independent proposal to parliament to discuss this matter. If party interests could be put aside and the advantages of NATO membership revealed, Horn would welcome this, because, as he says, neutrality is not a feasible path in Europe today.

[Szombathy] Mr. Horn, you were the first to express the view that Hungary needed NATO membership and you have repeated this a few times since. The same happened again in parliament. Why is it necessary for parliament to discuss this matter?

[Horn] I would like to remind the reader that as early as in February 1990, I suggested we approach NATO and even join it, and many people criticized me for this then. Later, I welcomed the fact that the Visegrad Three officially expressed the need for joining. The West's response was rather ambiguous, which is partially understandable because the West did not really want to differentiate between central and eastern European countries. However, in my view, this is definitely necessary, partly because tension in our area is increasing, not decreasing. Unfortunately, civil war is not only a possibility but a reality in the successor states of the former Soviet Union and of other countries. It is enough to consider the unforeseeable consequences of the possible deployment of the former Soviet Army in the Baltics, the escalation of the war in Moldova, where even Romanian involvement is possible, and of the Yugoslav situation. Our region is extremely shaky and laden with tensions and dangers, while for us, strengthening security is vitally important. In addition, let us not forget that the Hungarian Army is not in a position to become combat-ready in the foreseeable future. For this, a huge amount of money and development would be needed, which is not within our means.

[Szombathy] What are your experiences from meeting the general public during your trips round the country? Are they worried?

[Horn] I feel that there is growing anxiety in society over the possibility of becoming involved in such a warlike conflict, although, in my view, to start an armed provocation against Hungary would not be in the interest or within the power of any of our neighboring countries. However, situations and the various political forces do change. For a politician, nothing can be more important than the strengthening of his country's security.

[Szombathy] All over Europe, the international status of the various countries is being debated. What is your view on neutrality?

[Horn] Among others, Austria's example shows that, although they talk about never-ending neutrality, joining the EC means a certain abandonment of it for a bigger political and economic security. In my view, neutrality is a rather fragile thing in today's Europe, it does not give any guarantees and, in the case of Hungary, no group of countries would guarantee a viable neutrality. This is not a feasible path in today's Europe. However, I support NATO membership very much because it means a kind of prevention: Should anyone provoke an armed conflict, he would find himself facing the whole military block.

[Szombathy] What can you say to those who oppose NATO membership?

[Horn] People who have reservations about approaching or joining NATO do not know its history very well. There is democracy in the military organization and all decisions are made with the consensus of the members. I do not know of any antidemocratic decisions made by NATO. In such a case, any country could veto the decision. No country needs to worry about having its autonomy violated, in fact, in my view, Hungary's membership would also further the development of our democratic system.

[Szombathy] Why, in the end, did you think that this issue should be taken to parliament? What is your independent representative's proposal aiming at?

[Horn] It would be good if the government submitted this and parliament put it on its agenda. One of my points of view was that a parliamentary debate on membership or on expressing such an intention would clarify these mistaken views and misunderstandings. We have not yet had such a debate in parliament, while the government has already expressed its intentions to make an approach, and now, the advantages and alleged disadvantages of NATO membership could come to the surface. As the highest forum for decisions, the parliament could confirm the government's intentions. At the same time, the military alliance and organization will have to take this much more seriously if parliament passes a "statement of intent." This would not mean instant access but the issue would certainly gain a greater emphasis. A positive decision by parliament would mean a certain pressure for NATO.

[Szombathy] What are your experiences in West Europe? How are the initially rigid attitudes changing?

[Horn] I mainly talked to German politicians and I feel that the West is facing a big dilemma and they do not have a fully developed view. In my opinion, in spite of the hesitation, to extend NATO's responsibility to the whole of Europe is unavoidable in the long run. At the moment they are still deliberating and there is great uncertainty, so our initiative could even be timely. I

would also add something else: Both in Hamburg and Cologne I said that we should establish closer cooperation with Austria. Through its advantage over us, Austria could undertake to be our patron, in a good sense of the word, acquire a historical role and, in the meantime, further the development of democracy and the social market economy in Hungary.

[Szombathy] This proposal is being made by a socialist politician and former foreign minister. Will it rise above party conflict in parliament? Not mentioning the fact that, on 7 April, Mrs. Szilagyí Terezia Császár, deputy chairperson of the Christian Democratic People's Party, called you a criminal, who will be called to account. She also said that it would be good if you did not use the "fall of the Berlin Wall to strengthen your private ambitions and legitimacy." She even questioned the award given to you by the European Parliament. Will there be a consensus?

[Horn] Responding to accusations and slander is a waste of time. Nevertheless, I trust that parliament will put my proposal on the agenda because, details aside, there appears to be consensus on the goals among the six parliamentary parties. I hope that my suggestions will be considered with a view to the interests of the country, rather than according to narrow party political points of view.

Constitutional Court Arguments on Zetenyi Law
92CH0441B Budapest HETI VILAGGAZDASAG
in Hungarian 7 Mar 92 p 17

[Unattributed article: "Lex Zetenyi Is Unconstitutional"]

[Text] The Constitutional Court struck down as unconstitutional the so-called law on the statute of limitations, or "Lex Zetenyi," as a whole and in its parts. The law was adopted by parliament on 4 November 1991 but was not proclaimed by the president of the Republic. "The vague and uncertain wording" of the law providing for the persecution of thus-far not persecuted grave crimes (treason, premeditated murder, bodily assault resulting in death) committed between 21 December 1944 and 2 May 1990 "permits arbitrary enforcement," according to the Constitutional Court. Further, the court found that "the law violates constitutional provisions of criminal law, which hold that with respect to the statute of limitations concerning the culpability of criminal acts—including the disruption and waiver of the statute of limitation—laws in force at the time of the commission of the crime must be applied, except if rules favorable to the criminal took force before the statute of limitations lapsed."

After announcing the decision, court chairman Laszlo Solyom referred to the need to uphold the rules of the constitutional state as well as to punish the crimes committed, and announced that the case actually involved conflicting values. "The punishment of no crook renders the infringement of a constitutional state

worthwhile," the chairman noted. Andras Szabo, the judge who wrote the opinion, added that whether a moral point of view prevailed over an immoral point of view was not at issue; instead, at issue was that a moral point of view prevailed over another moral point of view.

Zsolt Zetenyi, the sponsor of the law, did not want to immediately comment on the Constitutional Court decision, but stressed that the law was not his creature but that of parliament (at the time the National Assembly approved the law by 197 affirmative, 50 negative votes, and 74 abstentions), and made reference to expert opinions supportive of his viewpoint as well as to the "sense of justice" of the Hungarian people "of which mockery is being made by many." "Crime and punishment must not travel separate paths," the MDF [Hungarian Democratic Forum] representative said. He also mentioned that the court's decision would not rule out the indictment of certain persons, and to examine at the time of the indictment whether the statute of limitations has lapsed in a given case.

The law is going to be resubmitted to parliament following the Constitutional Court's action, but parliament's latitude regarding the law is highly limited as a result of the court's action, which included positions regarding issues of detail. Among other pronouncements the court declared the following rules of general applicability:

- Establishing culpability for crimes that have already lapsed is unconstitutional.
- Extending the statute of limitations for crimes that have not yet lapsed, disrupting the statute of limitations by law, or establishing a cause for disruption or waiver of the statute of limitations by retroactive law is unconstitutional.
- From the standpoint of the statute of limitations no distinction can be made based on considerations as to whether the state did not enforce culpability for political or other reasons. According to the Constitutional Court the reason why the state failed to enforce its penal authority is immaterial, and the responsibility for the state's failure to perform its function must not be transferred to the offender.
- Due to its uncertain wording, the provision which waives the statute of limitations on grounds that "the state has not enforced its penal responsibility for political reasons" is arbitrary and therefore unconstitutional.
- Rendering the crime of treason a criminal act without considering the several changes in which the factual circumstances attending this crime have been subject to under the various political systems is unconstitutional. (What was not a crime at the time of the commission of the act cannot be retroactively made a crime.)

—Limiting the power to grant clemency in order to permit an unlimited reduction of the sentence as a result of enforcing the law is unconstitutional [as published].

Relative to these provisions and to the relationship between the laws of the previous systems and the constitutional state Laszlo Solyom explained that by "invoking the historical situation" one cannot set aside the rules of the constitutional state, one cannot establish a constitutional state in contravention of the precepts of the constitutional state. The justices of the Constitutional Court avoided addressing political issues even after the announcement of the decision, but in justifying their decision they referred to the system change and served a reminder that the system change in Hungary "took place on the basis of legality and legal continuity," in observance of rules established by the previous system. From the standpoint of constitutional law the substance of the system change amounts to the establishment of the constitutional state.

In essence, the decision of the Constitutional Court justices represents a "victory" for those who opposed the law and who voiced reservations about the law. The young democrats [FIDESZ—Federation of Young Democrats] and the socialists [MSZP—Hungarian Socialist Party] were the primary opponents of the law as manifested by votes cast in parliament, while representatives of the ruling coalition generally supported the law and the free democrats [SZDSZ—Alliance of Free Democrats] abstained. As if representatives of the ruling parties had sensed in advance the outcome of the predictable decision, they were barely represented when the decision was announced on Tuesday, while FIDESZ was represented by the Orban-Fodor-Szajer trio. The fact that three of the six chairs reserved for high ranking public officials remained vacant was particularly conspicuous. President of the Republic Arpad Goncz and Supreme Prosecutor Kalman Gyorgyi appeared at the Constitutional Court, and Minister of Justice Istvan Balsai was represented by his political State Secretary Tamas Isepy. Incidentally, Balsai told the Constitutional Court justices last December that he recognized no concern relative to this law. Therefore the court's decision represents a professional defeat from the justice minister's point of view. The chairs reserved for Supreme Court Chairman Pal Solt, National Assembly President Gyorgy Szabad, and Prime Minister Jozsef Antall remained vacant while the Constitutional Court's announced its decision.

Modification of Constitutional Court's Authority

92CH0442A Budapest NEPSZABADSAG in Hungarian
12 Mar 92 p 1

[Article by Andras Sereg: "Constitutional Court Faces Changes"]

[Text] The announcement of every substantial decision renders the Constitutional Court subject to political

attack. Most recently the decision declaring unconstitutional the law on the statute of limitations has heated up debate concerning the court.

Only a few people are aware of the fact that not even today does the Constitutional Court operate with the full, authorized number of justices. The applicable law provides that the court attain its final size in three steps. The first step was taken soon after the enactment of the law: the court began operating with five justices as of 1 January 1990. The second set of five justices was elected after the subsequent National Assembly elections, pursuant to law.

But the law provides for the election of five additional justices to be "elected by the National Assembly five years after the establishment of the Constitutional Court." In other words, the number of justices must not change during the present parliamentary cycle.

Behind the scenes, however, two legislative proposals have been in their drafting stages for months: one would establish the procedures of the court, the other would amend the law governing the Constitutional Court. The six parties began reconciling these proposals last fall. It was revealed that MDF [Hungarian Democratic Forum] faction leader Imre Konya walked out before the conclusion of one of these meetings because he objected to the presence of a court employee, constitutional law specialist Gabor Halmai, at the conference. Since then Imre Konya has visited the [Constitutional Court] building at Angyalfold and reconciled his faction's position with the ideas of the Constitutional Court justices.

We were informed that the law would be significantly changed at several points. Insofar as organizational issues are concerned, the court's operations would officially be transferred from Esztergom to Budapest and the third set of justices would not be appointed, i.e., the court would continue to operate with 10 justices only. Plans also call for changing the authority and jurisdiction of the court. In a manner similar to the Strasbourg International Court of Law, the justices would like to acquire authority to provide specific legal recourse to citizens. Parliament would also like to limit the authority of the court in making political decisions: only in exceptional cases would it be possible to request advance opinions from the court.

We learned from parliamentary sources that the choice as to which body should submit the proposed amendments to parliament is also subject to debate. Coalition experts envision the legislative proposal as one emanating from the government, while others would prefer the parliamentary Committee on the Constitution to place the issue on the agenda at the earliest possible date.

Constitutional Court Head Answers Criticism

92CH0442B Budapest NEPSZABADSAG in Hungarian
21 Mar 92 pp 1, 4

[Interview with Dr. Laszlo Solyom, chief justice of the Constitutional Court, by Andras Sereg; place and date

not given: "Below Standard Critique Qualifies the Critics"—first two paragraphs are NEPSZABADSAG introduction]

[Text] Established more than two years ago, the Constitutional Court has been operating in the crossfire of dispute ever since the beginning. In reality, however, politically motivated attacks have not disturbed the justices because they continue to announce substantial decisions. In an interview granted to this newspaper the chairman of the court declared that they were not concerned about coarse attacks, because the Constitutional Court stood above daily political interests and its functions were defined by the Constitution.

We asked Dr. Laszlo Solyom (age 50), the holder of one of the highest public offices, to discuss his views relative to issues concerning the functioning of the Constitutional Court.

[Sereg] Mr. Chairman! The Constitutional Court has been the subject of political attacks after virtually every significant decision it announced. The same has happened recently, when the court found every detail of the Zetenyi-Takacs law unconstitutional. How do you react to such criticisms?

[Solyom] We do not deal with coarse attacks and political passions. This is not necessary because the Constitutional Court stands above daily political interests and partisan skirmishes; its activities were defined by the Constitution, by the principle of constitutionality. We always welcomed, and continue to welcome real professional critique. Unfortunately, however, we hardly come by any real analyses of our decisions, let alone professional critique. On the other hand, below-standard criticism qualifies the authors of such criticism, not us.

[Sereg] It could be that no serious analyses were made, nevertheless some comments have been made. Some claimed, for example, that the Constitutional Court was the only forum in Hungary whose decisions could not be appealed.

[Solyom] As I have indicated, the Constitutional Court is subject to the Constitution. Only an amendment to the Constitution approved by the National Assembly would have a binding effect on us.

[Sereg] But an amendment would require the affirmative vote of a two-thirds majority of all representatives. This, in turn, has cast the basic law in concrete from a practical standpoint, at least during this parliamentary cycle.

[Solyom] That's all we would need! A rule by which the Constitution could be amended by the vote of a simple majority! I have concerns even about the two-thirds rule. The Constitution could become a solid point of reference from the standpoint of legal order if we would make this requirement even more stringent!

[Sereg] On the other hand, such stringency would really elevate the Constitutional Court to a height where there

was no opportunity to exercise control over it. Many complain about a lack of control over the court.

[Solyom] Unfortunately, immediately questioning the decisionmaker's competence whenever they do not like a decision is very characteristic of the present situation. And this kind of thing frequently occurs not only relative to the Constitutional Court but also with respect to the government. Presumably, some representatives have difficulty with accepting the Constitutional Court because they were brought up with a concept also advocated by socialist law, according to which parliament has unlimited sovereignty. But this is not what the Constitution has to say! Based on the Constitution we also have a president of the Republic and a Constitutional Court, in addition to the three classic branches of power, i.e., the legislative, the executive, and the judicial powers. And these branches of power provide for a mutual balance and limitation in a very nice, orderly fashion. In the framework of this structure the Constitutional Court has as its function to exercise constitutional control over laws, and every constitutional court has this kind of power. On the other hand, we lack a kind of jurisdiction that is customary in Europe, the one called complaint under constitutional law. The essence of this is the review of court decisions and administrative decisions by justices of the Constitutional Court.

[Sereg] And yet, last November the Constitutional Court struck down an affirmed judgment of a court.

[Solyom] It did so because the law applied by that court was unconstitutional. A real complaint under constitutional law—the concept introduced this year by the Czech and Russian constitutional courts—challenges judicial decisions, not laws applied by courts. Such complaints can be made when judicial decisions violate one or another constitutional right of a citizen. In other words, this is the jurisdiction which places the Constitutional Court—as a court of last resort—over and above every other court and authority.

[Sereg] Insofar as I know you are striving to acquire this authority.

[Solyom] We would not be disturbed at all if our authority were made complete with the introduction of the complaint under constitutional law process. But since in Hungary the system change demands that the entire legal system be reviewed first, this takes up all of our energy. In a few years it would be appropriate, of course, to complete the scope of the Constitutional Court's authority by adding this traditional function. And we must not forget the fact that citizens may also turn to the Strasbourg International Court of Law as soon as we ratify the treaty on human rights. Several arguments support the idea that as many as possible legal disputes be resolved "in-house," within Hungary.

[Sereg] Not too long ago the Justice Ministry began developing its concept to modernize the organization of courts. According to their perceptions the present one-step appeals system would be replaced by a two-step

system, by establishing a court of appeals. Would the Constitutional Court insist on having its "superreview" authority if this concept became a reality?

[Solyom] I believe that the number of steps to be included in the appeals process is an issue involving practical considerations. Insofar as the authority of the Constitutional Court is concerned, it must focus exclusively on whether a specific court decision violates constitutional law. This authority would affect only a very small number of cases.

[Sereg] As I understand the matter, they want to narrow the scope of the preliminary review of constitutionality.

[Solyom] Yes. The proposed amendments would assign this authority solely to the president of the Republic; he could request the Constitutional Court to review a law adopted by parliament prior to its enactment.

[Sereg] Mr. Chairman! It has frequently been said that the present Constitution says very little in conjunction with Constitutional Court decisions, and that therefore the room for interpreting the Constitution is rather large. For example, this is asserted with respect to the constitutional provision which declares that the Hungarian Republic is an independent, democratic constitutional state—a provision discussed at length by the Constitutional Court. Don't you feel that you have an overly free course of action in this respect?

[Solyom] There can be no law without some general legal precepts. So-called general clauses have always existed, and will continue to exist. The Constitution, too, has provisions, such as the ones providing for the constitutional state or for the right to human dignity, which convey much more than what they literally state, and therefore require interpretation and explanation. To frame positions of principle regarding these legal concepts is one of the most important functions of the Constitutional Court. One can avoid the arbitrary enforcement of laws in part as a result of the unequivocal and predictable definition of such general concepts in the framework of Constitutional Court decisions.

[Sereg] Several politicians judge the Constitutional Court on the basis of whether a given decision is consistent with, or contrary to his own party's perceptions. On occasion they go as far as changing their views.

[Solyom] Politics is a separate issue. I do not want to discuss that. Some of the criticisms are not candid, in my view. It could benefit a politician to harvest the political hay of a matter that has been doubtful from the outset from the standpoint of constitutionality. Once the Constitutional Court renders a decision it is easy to point at the justices saying that they were the ones who did not enable something we have thought out so well.

[Sereg] Is there any defense at all against political practices?

[Solyom] Only by issuing predictable, consistent decisions. By now we have the "crop" of two years behind us.

[Sereg] A key issue these days is what can, and what cannot be done in a constitutional state.

[Solyom] The Constitutional Court addressed the issue of constitutional statehood as part of its decision concerning the Zetenyi law. In that decision we said that constitutional statehood meant the full consistency of all laws with the Constitution, and the functioning of state organs consistent with such laws. Constitutional statehood further means that society as a whole is imbued with the conceptual framework and the guiding principles of the Constitution. This was not the case for the past 40 years. It was part of the character of the system that the political sphere could, at any time, transgress laws, simply because Constitutional guarantees had been missing. At this time some people want to repeat this situation, and only thereafter should there be a constitutional state. This is not what I swore to uphold, instead, my oath obligates me to uphold the Constitution by all means.

[Sereg] Have there been moments during the past years when you felt that you should not have accepted this public office?

[Solyom] No, there has not been such a moment.

[Sereg] Have you ever felt bitter about this matter?

[Solyom] Responsibility is a great burden. The fact that the Constitutional Court operates in complete isolation is not an easy matter either. A Constitutional Court justice can talk to virtually no one, because even the appearance of being influenced must be avoided. From this standpoint I could perform my function not only in Esztergom, but even at the Island of Corfu.

Government Spokesman Responds to 'Etatist' Charges

*92CH0441A Budapest FIGYELO in Hungarian
12 Mar 92 p 2*

[Article by Balazs Laszlo, government spokesman: "Response to FIGYELO"]

[Text] In an article entitled "We Are Not a Bouquet of Flowers," published in the FIGYELO 27 February issue, Endre Gomori called the readers' attention to a few "random thoughts" regarding a certain phenomenon. The phenomenon he wrote about consists of "etatist endeavors" that, according to Gomori, manifest themselves in the course of Hungarian economic transformation, and to a Hungarian Government reaction to an American assessment of this transformation. Since the author believes that he is also aware of some consternation created by this issue within the Office of the Prime Minister's milieu, I would like to respond on behalf of that office's "milieu" by describing a few random thoughts.

Alexander Tomlinson, the director of the Hungarian-American Entrepreneurial Fund, and John Whitehead,

the former deputy secretary of state, jointly with the chairman of the fund held a Washington press conference in mid February to report on the fund's 1991 activities and about his experience regarding Hungarian economic transformation. According to Hungarian press reports—MTI, NEPSZABADSAG, MAGYAR NEMZET—most of the remarks made by these persons spoke rather highly about the process and urged the West to provide further, more far-reaching aid. Tomlinson also criticized the Hungarian privatization practice at the press conference, nevertheless a preponderance of recognition characterized his assessment, too.

The reverse of this summary picture was presented in Radio Free Europe's [RFE] 15 February Hungarian broadcast, which claimed that "Tomlinson's candid words shocked" the Washington audience.

Based on reports filed by the three Hungarian journalists I very much doubt that RFE's interpretation was correct; but I know for a fact that Mr. Tomlinson was indeed shocked by the distortion reflected in the RFE broadcast. In a letter to our ambassador to Washington he expressed shock and denied several of the obviously [incorrect] statements that were part of the RFE broadcast. "I never made, and I could not perceive making comments regarding an 'inability to act on part of the ministries of the new Hungary'.... I firmly reject the idea that I suggested that 'the cause of all this is the Hungarian Government's strengthening of the state-capitalist economic role instead of entrepreneurial capitalism.'" He felt that the criticism he leveled [at RFE] at the press conference was rather mild.

Things like this happen, of course. Journalists carried away by zeal and prejudice can be found every day, these are situations in which journalists convey not what is being said, but what their own biases and prejudices dictate.

What really stuns me is the contents of the second part of Endre Gomori's article. Gomori perceives to discover etatist endeavors in the establishment of the State Property Trust Corporation, and this is stunning, even if he supports his opinion by a statement made by the AVU [State Property Agency] deputy director who has resigned. Everything that Gomori writes on this subject deceives the reader and represents biased scare techniques on part of the opposition. Based on broad experience in international economics that spans several decades, Endre Gomori is well aware of the fact that a state sector exists in most functioning market economies, and that a variety of organizations, such as holding corporations, stock corporations, and directorates are established to operate that sector. The state sector the Hungarian Government intends to preserve is not at all larger than similar sectors that exist in quite a few other countries with market economies. One has to reach that ratio of course, and doing takes more than one or two years. The author should also be aware of the difference between the periodical reduction or increase of the state sector in a well-functioning market economy on the one

hand, and the privatization of the collapsing enterprises of an impoverished, former socialist country that struggles with a shortage of capital. And he should also know, of course, that despite such circumstances, the pace of privatization in Hungary is faster than any other privatization that has taken place thus far in the western world. Incidentally, this assessment is also shared by most unbiased western experts.

Antall's Review of Past 2 Years Criticized

AU1304073392 Budapest NEPSZAVA in Hungarian
9 Apr 92 p 3

[Editorial by Tamas Keri: "Pajamas and Birthday"]

[Text] "On 8 April, a wave of bankruptcies will sweep across Hungary because of the obligation to announce bankruptcies!" thundered the advertisement on television on Tuesday evening, but it did not frighten me because I know from [Finance Minister] Mihaly Kupa that bankruptcy in fact is a good thing but that people in Hungary misinterpret it.

I heard from Gyorgy Szabad, chairman of the parliament, that, in addition to the wave of bankruptcies, 8 April is also famous for the birthday of Prime Minister Jozsef Antall and of the freely elected parliament. Since the prime minister admitted that he hates to celebrate his birthday, the Tuesday evening television interview with him could only be seen as a greeting of the parliament. It was so even if we heard a self-assured but not offensive self-appraisal about the two-year operation of the government and the prime minister.

I am happy to share my observation, which all the viewers of the interview also saw, that Jozsef Antall appeared a little tired but not ill. Why is it that his renowned interview in pajamas came to my mind? The reason might be that the prime minister again seemed to have been a little more subdued than usual, and he tried to defend his views while only mentioning his political opponents with a faint irony at the most and he did not offend them.

All in all, anyone who understands Hungarian or had access to an interpreter would be relieved to acknowledge that things were going fine, that, considering the circumstances, the government's economic policy was successful, its social sensitivity was exemplary, it treated the situation of pensioners with utmost care, and, what is just as important—from a different angle, though—democracy was not in any kind of danger from the side of the power.

The only people who may have had some reason for doubt were the ones who, in addition to speaking the language, are also living in Hungary, as new graduates, current or future unemployed, people burdened by inflation and interest tax or other taxes, threatened by the "perspectives" of life as a pensioner, or already coming

to terms with the fact that to eat, keep warm, and on top of that, even find accommodation, was an inaccessible luxury.

As the living circumstances of the vast majority of people have considerably changed—not for the better—since the interview in pajamas, it can be suspected that those who welcomed the unaffected, simple, and calming words at that time, are expecting action now. Because of the nature of the thing, they mainly expect actions improving the living standards, but not those like the dismissal of the banker Gyorgy Suranyi or the customs officer Gyorgy Balogh (nomen est omen?) [reference to their having the same first name], or the further concentration of the economy and filling its key position with “reliable” people while calling this the withdrawal of the state from the economy. This has happened before, although it was not called a free or social market economy.

To generalize a little, the viewer who already lived in the cursed period could have had a feeling that he already knew these problems. For decades, we kept hearing (perhaps saying) that socialism was being built here, and now we see the results. We do not yet see what the current growth will turn into but, at the moment, it does not really resemble an (especially not a social) market economy in the formation. The fact that this government, just as its predecessors, is only suspected to have some kind of a concept (this is derived from its measures with an unknown amount of accuracy) had the effect of the already known news, at least, on me.

The somewhat strange job application system for police chiefs and court chairmen, the dismissal of [former Defense Ministry spokesman] Gyorgy Keleti (he is also Gyorgy) bring some old memories to mind, but let us not be mean because these are only small freckles. The important thing is that, as we learned from Jozsef Antall, we need not look for the extremists in the Hungarian Democratic Forum [MDF].

We must not, I added, because we might find them in the end. Recently, in a not particularly opposition newspaper, Istvan Elek, a member of the MDF, explained to [MDF Deputy Chairman] Istvan Csurka that, in a democracy, it was not correct to call or see the constitutional opposition as an enemy. However, this attitude of Csurka may not even be hostile....

On the other hand, Jozsef Antall very convincingly explained to the viewers that people who now try to ride on the waves of dissatisfaction and emotions evoked by poverty, are in fact the enemies of democracy. I actually agree with the prime minister in this, but I would be curious to find out how he would qualify the Iustitia plan and the law on limitations by Zetenyi (I know that it is not proper to mention Mr. Takacs' name anymore) which does not only ride the emotions but actually incites them.

To finish with, to avoid being accused of not exercising self-criticism, I must admit that his interview was nice

and cool. Now, it is only the facts that could do with being adjusted to it in some points.

SZDSZ Officials on Opposition Party Platforms

*AU1004145492 Budapest PESTI HIRLAP
in Hungarian 8 Apr 92 p 13*

[Interview with Peter Hack and Ivan Peto, Alliance of Free Democrats deputies, by Gabor D. Horvath; place and date not given: “Platform Representatives About the Alliance of Free Democrats—And the Ship Floats”]

[Excerpts] Several recent press analyses dealt with the place, political role, and the internal conflicts of the Alliance of Free Democrats [SZDSZ]. Several authors spoke about the desirable future of the SZDSZ, and they forecast the SZDSZ role in the 1994 parliamentary elections. Almost every author spoke about the crisis of liberalism represented by the SZDSZ and this party's contacts with other parliamentary parties and interest representation bodies. My questions were directed to two SZDSZ deputies: Peter Hack, of the Liberal Conservative Union, and Ivan Peto, of the Liberal Circle.

[Horvath] According to some observers, both the conservative right and center right and the liberal center are taken in our domestic political structure. Do you agree that the center left, or social-liberalism, seems to be the best place for the SZDSZ? [passage omitted]

Can you envisage some cooperation between the liberal parties and the Hungarian Socialist Party [MSZP] in two years? [passage omitted]

[Hack] Our platform is clearly at the right wing of the SZDSZ. In our view, the modern European center-right parties have not yet appeared on the Hungarian political arena. We, conservatives, would like the SZDSZ to turn in this direction. However, one should also take into consideration the fact that the real power of this alliance derives from the joint presence of various trends. We are ready for compromise, and we will yield something from our own trend for the benefit of the social liberals. [passage omitted]

It is essential for the parties to seek coalition partners in various areas, and I can envisage a coalition between some of the successors of the present coalition forces with the SZDSZ after the next elections. Our platform would not be thrilled by any possible cooperation with the MSZP, but only political rationale will decide on this issue. However, it is certain that we should not form a coalition with anyone simply in order to guarantee our majority in Parliament because, if parties with quite different policies did this, their political debate would continue within the coalition. The same applies to the relations between the Hungarian Democratic Forum [MDF] and the Independent Smallholders' Party [FKgP]. [passage omitted]

[Peto] In my opinion, it is not worth getting into a terminology debate, because it takes a longer analysis to

find who understands what by conservative or social liberalism. The basic SZDSZ document adopted three years ago realistically determined this party's political position. There are no essential things separating the pragmatic political activity of the more conservative liberals from that of the more socialist liberals within the SZDSZ. Principles can somehow be differentiated, but there is no strict separating line in everyday politics. The differences between the Federation of Young Democrats [FIDESZ] and the SZDSZ derive from the different pragmatic viewpoints, rather than from basically different views on the current Hungarian political tasks. [passage omitted]

I think that the 1994 elections will represent the standard of Hungarian democracy, and not only from the viewpoint of the relations between the MSZP and the other parties. These elections will show the way the political force in power is relating to its own power: Can it possibly lose and refrain from abusing its power? The status of the MSZP could also change after the second elections. After 1994, it will become clear that the socialists cannot be the successors of the former state party. [passage omitted]

Hungarian Minority's 15 Mar Ceremony Described

92CH0422B Bratislava SZABAD UJSAG in Hungarian
16 Mar 92 p 1

[Unattributed article: "History and the Future"]

[Text] The ethnic Hungarians of the [Slovak] capital and its environs met on a cool and windy day in the Pozsonyigetfalu [Petrzalka] park, at the statue of Sandor Petofi, to commemorate the 144th anniversary of the Hungarian Revolution and War of Independence. Petofi's sword had been "liberated" years ago. His gouged-out eyes and lips painted red are more recent acts of vandalism.

The several hundred guests included Laszlo A. Nagy, a deputy chairman of the Slovak National Council; Gabor Zaszlos, a deputy prime minister of the Slovak government; and other prominent representatives of our political parties and movements, voluntary associations, and cultural organizations.

The Republic of Hungary was represented in the nearly hour-long ceremonies by Gyorgy Varga, the Hungarian ambassador in Prague; Jeno Boros, the Hungarian consul general in Pozsony [Bratislava]; and Andras Gergely, secretary general of the Ministry of Foreign Affairs. Andras Gergely was also the principal speaker at the ceremonies. In his speech Gergely spoke highly of the role that Pozsony had played in the events 144 years ago. He noted in his historical review that the Revolution and War of Independence had served every nation in the region, as the start of their general social progress. He said that, one day after its appearance, [Kossuth's] Twelve Points of March had spread also among the

Slovak revolutionaries and had become "commandments." The international cooperation at that time could serve as an example even today.

In addition to a specific commemoration of the historical events, the writer Laszlo Koncsol also presented an analysis of the processes taking place in our region, drawing a parallel between them and the emancipation aspirations in the 19th century. He cited the tragedy of the bloody events in Yugoslavia as the extreme form of gaining national self-determination. He also said that Slovakia's aspirations to independence can best be understood specifically in the context of the Revolution and War of Independence. But it is less understandable that numerous politicians want to achieve independence not through cooperation with the neighboring peoples, but the other way around: by depicting them as enemies, in order to win mass support for the realization of their narrow-minded, personal objectives. Yet the region's success and future, the speaker warned, lie in joining forces, in showing mutual respect, and in cooperation based on equality.

In the cultural program of the celebrations, the Ghymes Orchestra played its own transcriptions, and Livia Pokstaller recited poems. The celebrations organized by the municipal committee of Csemadok [Cultural and Social Organization of Hungarians in Czechoslovakia] suitably commemorated one of the most brilliant moments in our history.

Budapest Envoy at Minority Conference in Slovakia

92CH0449A Budapest MAGYAR HIRLAP
in Hungarian 2 Mar 92 p 4

[Interview with Tamas Katona, state secretary in the Hungarian Foreign Ministry, and Miklos Duray, a leader of the Hungarian minority in Slovakia, by Janos A. Szilagyi; place and date not given: "Ethnic Hungarians Are Demanding Compensation for the Kosice Program"—first two paragraphs are MAGYAR HIRLAP introduction]

[Excerpts] "The ethnic Hungarians living in the neighboring countries must play the role of bridges between states in the area. We have come together to remember and protest; not to demand revenge, but to make sure that what was done to the ethnic Hungarians in [former] Upper Hungary [Slovakia and Transcarpathian Ukraine] after 1945 can never recur," said Tamas Katona, state secretary in the Ministry of Foreign Affairs, at the Upper Hungary Reunion organized by the Rakoczi Association. [passage omitted]

The Rakoczi Association, a society of Hungarians who had emigrated from Upper Hungary, convened the Upper Hungary Reunion to commemorate the Czechoslovak Government's 1945 Kassa [Kosice] Program, whose measures have not been rescinded to this day. Those laws made the ethnic Hungarians collectively

responsible for the events of World War II in Czechoslovakia and deprived them of their fundamental rights. In their statement, the association's leaders pointed out that the Hungarian Government has not neglected to apologize for having participated in Czechoslovakia's occupation in 1968, but the Czechoslovak Government has neither rescinded its decrees that infringed fundamental rights, nor has paid compensation for the losses that ethnic Hungarians suffered.

[Szilagyi] What possibilities are there for protecting the ethnic Hungarians living beyond our borders?

[Katona] Europe is now beginning to realize that religious and national minorities usually tend to be suppressed in countries that do not protect their national minorities. It is becoming increasingly obvious that the handling of the problem of national minorities is a security-policy issue of primary importance. For that very reason, we are able to count on significant allies in our efforts on behalf of ethnic Hungarians. It would be dangerous to wage this just struggle with blustering or with a one-sided Hungarian initiative. Our possibilities are broadened by the fact that cooperation is in the most elementary interest of every country in the area. The best living example of such cooperation is the Visegrad triangle, established on Hungary's initiative. Opening up the borders, rather than redrawing them, can help the Hungarian minorities the most. They must be given an opportunity to play the role of bridges between two peoples and two cultures.

[Szilagyi] The letter that Jozsef Antall wrote the Czechoslovak prime minister on the matter of the Bos [Gabikovo] power plant's construction holds out the promise of more decisive Hungarian action. How will this letter affect relations between the two countries?

[Katona] We are hoping that common sense will prevail. Hungary has been showing extraordinary patience in this matter. Just as we ourselves are heeding the opinion of impartial experts, we would like the other side to do the same. Obviously, if the negotiations fail, it will be necessary to cancel the 1977 agreement. That is certain to cast a shadow on Hungarian-Slovak relations.

Miklos Duray, the president of Slovakia's Coexistence Political Movement, also attended the reunion.

[Szilagyi] The dispute over the power plant's construction is becoming more acrimonious. How could this affect the situation of Slovakia's ethnic Hungarians?

[Duray] We have been thinking long and hard on what could be the right solution. We have come to the conclusion that primarily the experts, and not the politicians, must decide this matter. If they decide that construction must be stopped, then that will have to be done, even if it creates political tensions.

[Szilagyi] Do you see any hope for an agreement?

[Duray] As a deputy of the Czechoslovak Federal Assembly, I have explained my disapproval of the Slovak

Government's rejection of the conditions proposed by Hungary. For by now it is quite clear that the power plant's construction would cause irreversible environmental damage. That, perhaps, was not clear in 1977. But we must realize that at present Czechoslovakia is unprepared to make any meaningful decision in this matter. No political party with any chance of participating in the formation of a government can afford to decide what to do about the power plant's construction. That is now a political issue, rather than a professional one.

Commercial Bank Reserves, Banking Law Discussed

92CH0440F Budapest FIGYELO in Hungarian
12 Mar 92 p 9

[Interview with Miklos Pulai, executive secretary of the Hungarian Bankers Association, by Adrienne Kurcz; place and date not given: "Privileged Depositors; Banking Is a Dangerous Business"—first paragraph is FIGYELO introduction]

[Text] Once enforced, the financial institutions law is going to drastically reduce bank profits, because protecting the interests of depositors requires an excessively rapid and, in conjunction with the MNB's [Hungarian National Bank] restrictive policies, hard to implement security reserve capital accumulation. Adrienne Kurcz asked Bankers Association Executive Secretary Miklos Pulai about things that must be done by banks and by legislators.

[Kurcz] How would you define the philosophy of the financial institutions law adopted last year?

[Pulai] The financial institutions law defines the direction and the content of modernizing the banking system, i.e., the manner in which we must adapt to international requirements. The foundation for all this is to provide a sense of security to depositors. In order to permit a bank to operate profitably and securely it must have 10 or 15 times the amount of its founding capital as the bottom line on its balance sheet. Banking is a dangerous business, because banks manage the funds of others and derive their profits as a result of this function. Accordingly, a bank must strive to achieve a condition in which its clients have a maximum sense of security concerning their money. Banking Supervision oversees the enforcement of this law, and the rigor applied to this function is unlike the regulation of any other field in the economy.

[Kurcz] How does the law protect the depositors' interests?

[Pulai] Chapter 4 of the law describes conditions for secure banking operations. Any financial institution must have a guarantee fund of a size commensurate with the risks involved in the transactions it performs. The guarantee fund consists of more items than a bank's own capital. Accordingly, the law enables financial institutions to regard as part of the guarantee fund certain

collateral elements of capital from taxed profits which could be used to settle losses, in addition to a bank's own capital. Thus, a financial institution's relatively tight capital base may be expanded. This in turn enables the accumulation and the placement of more resources.

By 1 January 1993 every financial institution must have, and must continuously maintain an 8 percent, weighted, so-called risk fund ratio. The numerator of this fraction is the guarantee fund, while the denominator represents the total amount of outstanding receivables weighted by the risk of recovery. The law provides that 8 percent of this amount must be backed by the guarantee fund. The capital correspondence index is supposed to restrict banks in assuming risks by prescribing that a bank must have certain levels of its own capital resources before making loans. Well-considered business policies also serve the depositors' interests.

[Kurcz] The law enables financial institutions to include their targeted reserves as backing for certain qualified receivables. What impact does this have on banking profits?

[Pulai] Financial institutions must qualify their outstanding receivables from the standpoint of risk, and must build targeted reserves accordingly. This means 20 percent for "below average" receivables, 50 percent for "questionable" receivables, and 100 percent for receivables qualified as "bad." There also exist "risk free" receivables, of course. Before writing off noncollectible receivables a financial institution must use its mandatory reserves first. Thereafter the general reserves provide backing for losses suffered as a result of financial institution activities. Accordingly, a situation cannot occur in which the depositors' money is used to pay off credit losses.

Targeted reserves which can be used as investments reduce profits. What is going to happen to banking profits which amount to a 60-80 percent proportion of the capital?!

[Kurcz] The corporate tax law provides that only the targeted reserves accumulated to cover overdue receivables reduce the profits before taxes. Is this not in conflict with the financial institutions law?

[Pulai] The two laws are contradictory, indeed. Accordingly, based on the financial institutions law a bank must invest in accumulating a targeted reserve after all qualified receivables. On the other hand, the corporate tax law applies only to receivables having an expiration date. But banks establish expiration dates only in regard to credits granted, no expiration dates apply to investments made by banks. Accordingly, based on the corporate tax law, a bank could create reserves for its questionable receivables in the form of investments, while reserves could be accumulated after a bank's investments in a bankrupt enterprise only on the basis of its taxed profits. This requirement cannot be sustained. The corporate tax law must be streamlined with the financial institutions law. If in no other way, by way of urgent amendments.

[Kurcz] How much time do financial institutions have to replenish their reserves?

[Pulai] General and targeted reserves must be replenished from the guarantee fund within three years. This requirement does not present any particular concern to some of the banks, but it demands from other banks that they subordinate their dividend policies to the accumulation of reserves.

[Kurcz] Would you regard a situation as dangerous, in which banks would want to comply verbatim with the indexes specified by law?

[Pulai] I would much rather say that relative to a few banks, with particular attention to the capital correspondence index, I regard the pace of the expected adaptation as overly fast. Similar requirements were established in the ECC countries in 1987, with a 1992 deadline. It is likely that not even these five years will suffice for all financial institutions to adapt. Neither the framers of the law, nor those who approved the law understood that overly stringent rules would impact on the relationship between banks and their clients, because the consequences of these rules adversely affect the clients.

[Kurcz] The state guarantee on deposits is much broader than in the West. Do you expect a reduction in this guarantee?

[Pulai] Thus far the state provided an unlimited guarantee on individual deposits, both in terms of time and amount. This situation was appropriate when, in essence, a state bank collected individual deposits that were overwhelmingly used by the state. In a banking system, however, where many banks function and where there is no or little state participation, you will see the emergence of foreign owned banks. Why should the state directly guarantee the repayment of deposits that were made here? The solution rests with the establishment of a mandatory guarantee fund to protect deposits. Accordingly, the state would guarantee deposits only in banks which participate in this fund. Thus, if necessary, that fund would be depleted first, and only then would there be a need for state contributions.

[Box, p 9]

The following are the elements of the guarantee fund: The paid-in amount of capital subscribed to, capital reserves, profit reserves, profits according to the balance sheet, general reserves, subordinated debt.

Capital reserves constitute the difference between the par value and the oversubscription value of stock, and the amount of funds received in the form of capital reserves.

Financial institutions accumulate profit reserves from dividends after taxed profits and prior to paying off shares. The law establishes the mandatory level at 1.25 percent of the main balance amount, and in 1 percent of the amount cosigned and guaranteed items.

In order for a financial institution to operate safely, the bank's own capital and the obligations agreed to by the bank must be proportionate consistent with the ratio shown by the capital correspondence index.

Individual Entrepreneurs' Income Tax Discussed

*92CH0440E Budapest FIGYELO in Hungarian
12 Mar 92 pp 1, 27*

[Article by SEBOK: "The Case of Advance Tax Payments: Are They Going To Give In on the 47?"]

[Text] Complaints by individual businessmen concerning Paragraph 47 of the Personal Income Tax Law are reaching the highest legal forums, i.e., parliament, and slowly make their way to the Constitutional Court, if not to the high heavens. But what sense does Paragraph 47 make in the framework of the taxation system?

Paragraph 47 of the Personal Income Tax Law requires payors to deduct and to submit 3 percent of the value of any invoice minus the amount of general sales taxes paid to individual businessmen on a monthly basis to the state budget in the form of advance tax payments. (The percentages applicable to agricultural producers is 0.5 percent after the sale of livestock, and 2.5 percent after the sale of crops.) In turn, businessmen pay advance income taxes after amounts paid to themselves for personal use from the total amount of sales revenues, as offset by advance income taxes paid by other payors.

Critics claim that the Paragraph 47 rule applies only to individual businessmen and to no other class of taxpayers. The amount of sales revenues is considered as the personal income tax base only in regard to individual businessmen, everyone else pays advance taxes based on income. A strong objection to this rule has gradually evolved; by now the objection appears in the form of a legislative proposal.

As seen by the Finance Ministry, however, this provision has made the system uniform, because payors also deduct and remit advance tax payments after income generated from wages, salaries and honoraria.

The 3-percent advance tax rule has already been regarded as discriminatory by several persons in the course of parliamentary debate, but the government's proposal, justified on several grounds, prevailed despite proposed amendments. The Finance Ministry continues to regard the government's arguments as valid.

What is at issue? Thus far individual businessmen were supposed to tax themselves and pay advance taxes after amounts withdrawn from business income for personal purposes. So far, so good, except for the fact that there were virtually no businessmen who needed to withdraw personal income in the course of a given year from their business income; they withdrew their personal income at the end of each year and paid taxes only at that time. In addition, agricultural producers were not obligated to pay advance taxes, even if they generated taxable

income. Meanwhile, however, advance tax payments have been regularly deducted from wages, salaries, honoraria, and fees. The Ministry intended to discontinue this dissimilar situation and to render the burden of having to pay advance taxes more even and fair as a result of Paragraph 47, while still providing substantial advantages to individual businessmen.

Accordingly, with respect to income generated by independent persons—i.e., by persons not employed—such as earnings in the form of honoraria and fees paid to private persons, the payor deducts the advance tax and remits the deducted amount to the state. Moreover, this takes place on condition that 90 percent (!) of the amount paid, of the private person's income, constitutes income, and 25 percent of that amount is deducted as an advance tax payment. There may be situations, however, when a person discovers at the end of the year that his income has not reached the minimum taxable level, or that his expenditures amount to much more than the amount represented by the presumed 10-percent cost ratio, if that person itemizes his deduction. These taxpayers can also recover the excess taxes deducted by requesting a tax refund.

In reality, compared to this situation, the 3 percent deducted from individual businessmen's sales revenues presumes that only 12 percent of the sales revenues represents income, and the corresponding indexes used with respect to agricultural producers presume that revenues derived from the sale of crop include only a 10-percent income, and only 2 percent when livestock is sold. It would be rather difficult to imagine a businessman willing to do business for a smaller proportion of income. But if that were the case nevertheless, the principle that taxes should be paid after actual income could be restored from the standpoint of individual businessmen, if businessmen declaring their taxes in the course of the tax year could take into consideration the amounts deducted by payors, and if at the end of the tax year they too, could obtain their money by claiming a refund. (Moreover, the budget pays interest on refunds due to agricultural producers.)

All this also suggests, of course, that the idea of protecting and rendering more even the flow of budgeted revenues is also part of the considerations supporting this rule. At the same time, it would be hard to deny that rendering income more visible was not an additional goal.

The latter goal and argument is rather weak according to those who wish to amend the law, because these advance payments must be deducted and remitted based on invoices. Invoices, in turn, provide ample opportunity to document earned income. Places which do not provide invoices will continue not providing invoices just in order to avoid having to pay advance taxes. The Finance Ministry's response to this is that tax enforcement personnel has more than once found "miraculous" situations in which invoices existed, but the corresponding amounts were missing from tax returns.

Finance Ministry officials also said that they did not feel the direct impact of the businessmen's outrage; persons seeking their help wish to satisfy the advance tax payment obligation and ask only for technical help. In other words, as viewed from the Finance Ministry's standpoint, it seems that the protest emanates only from interest groups and from National Assembly representatives desiring to boost their prestige, claiming that this provision conflicts with the principle of competition neutrality.

In reality, certain phenomena strongly indicate that the application of this decree (but could these only be initial difficulties?) results in adverse discrimination against individual businessmen. Previous customers of individual businessmen seek alternative sources because they do not want to put up with the added administrative burden involved in dealing with individual businessmen. Even enterprises whose activities are characteristically linked to individual businessmen complain for having to bother with the deduction and remittance of advance tax payments. Except for the fact—so the counterargument goes—that the cost of excess work may even be offset by interest income which payors may earn as a result of short-term investments during the period they withhold the advance taxes. In other words, payors could even profit as a result of this provision, but instead of complaining they would have to make some calculations....

The deduction of advance tax payments based on sales revenues could present a disadvantage to starting businessmen in particular, who might not have an income during their first and second years while the advance tax payments deplete the already tight amount of funds they have. But the withdrawal of funds in the course of the year also presents a big burden to agricultural producers whose sales revenues up to 750,000 forints are tax exempt.

Thus, it comes as no surprise that three SZDSZ [Alliance of Free Democrats] representatives introduced a legislative proposal to amend the law. The amendments aim for discontinuing the discriminatory advance tax, but they also consider the benefit of the state by proposing that income derived from individual enterprises, even if received from payors, be subject to quarterly advance tax payments based on the combined total income earned during the previous quarters of a given tax year.

The only other thing the representatives should provide for is an assurance that people actually remit the advance tax payments after actual business income, and a means to prevent situations in which the advance payments deducted exceed the necessary level of deduction, Finance Ministry officials say, but this has not yet been adopted as the Ministry's official position.

Deputy Mayor Discusses Budapest Budget

92CH0440A Budapest FIGYELO in Hungarian
12 Mar 92 p 23

[Interview with Budapest Deputy Mayor Gabor Szekely by Andras Varga; place and date not given: "Budapest Budget: A Bowl of Cherries and the 23"—first paragraph is FIGYELO introduction]

[Text] The 60 billion forint budget of the Budapest local government is expected to be adopted in March. We inquired from deputy mayor Gabor Szekely about the details.

[Varga] To what extent does the preparation of the Budapest budget depend on the adoption of the state budget?

[Szekely] As part of the state budget, parliament appropriates funds for Budapest as a whole. These funds are divided into 23 parts based on a Budapest General Assembly decree, i.e., among the 22 districts and the Budapest local government. The adoption of this decree requires the support of a majority of the districts. It is like a bowl of cherries surrounded by 23 hungry men, with each wanting to grab some cherries. Accordingly, it is apparent that some self-discipline on the part of the city and the various districts is needed before this obstacle, the distribution of resources, can be successful in the first round. I watched the decisions of the district legislative bodies until 15 ayes and 3 nays established a clear-cut opportunity for the Budapest General Assembly to create a decree concerning the distribution of resources. Once we got through with that, the paths followed by the districts and Budapest could part, each entity could develop its own budget mobilizing its operating revenues and assets, defining the various tasks, the forms of implementation and the funding.

[Varga] What is the division of resources between Budapest and its various districts?

[Szekely] At least 60 percent of the total amount budgeted for Budapest is allocated to the Budapest local government, and no more than 40 percent is allocated to the districts.

[Varga] Does this initial budget include funding for the BKV [Budapest Transportation Enterprise]?

[Szekely] It only includes the subsidy to be provided to BKV. The BKV is expected to receive between 10 billion and 11 billion forints in local government support, but its total requirements call for between 22 billion and 25 billion forints. It must produce the difference from ticket sales, price supplements and the utilization of its own assets.

Only this much about the budget process: We began to prepare the system of dividing the resources sometime in August. Once we received the first draft of the proposed law on the basis of which we knew how to divide the

resources, we consulted with the various district representatives several times. As a result of this we were able to reach an agreement on 28 December concerning the distribution of resources. We took a chance because this took place before the adoption of the state budget; the entire agreement could have been upset a few days later. This was a possibility, if parliament decided for example, to act contrary to our legislative proposal and grant us only say, 35 percent, rather than 50 percent of the personal income taxes we collect. In the end, however, the budget was adopted on 31 December, my associates made the corresponding "midnight" changes on 2 January, and on 3 January we were already able to issue our final agreement on the distribution of resources. Since then a majority of the districts accepted this agreement.

[Varga] I took part at a district legislative session that approved the distribution of resources without comment....

[Szekely] This would depend on the preparedness of a given legislative body, but it is also possible that the committees presented thoroughly prepared materials to their respective legislative body. I am aware of certain districts where some large-scale debate evolved, or where they did not adopt the distribution scheme at all. Somehow I am able to understand why the second district rejected the plan; after all, they received a proportionately smaller return on the personal income taxes they paid. But they, too, should understand that people paying taxes in that district live, work, spend, and consume not only in that district, but also in the greatest variety of places throughout the city.

[Varga] How far did the Budapest local government progress in preparing its budget?

[Szekely] At first we tried to put together some guidelines, then we developed a concept. Depending on discussions within the economic committee we could first submit the concept to the Budapest General Assembly. Let the General Assembly commit itself to one or another system. Possible dates for this action are 5 March or 12 March, and we will submit the budget itself within two weeks thereafter. But if the committee is unable to reach an agreement regarding the budgeting system, we will have to present a final and complete budget to the General Assembly. All this suggests that Budapest will, by all means, have a budget in March.

[Varga] How is Budapest going to function until then?

[Szekely] We are providing interim financing. A General Assembly continuing resolution has extended the authority to do so until the end of February, and later, until the end of March, based on last year's budget. In practice this means that we are funding the various institutions at last year's levels, and all additional projects must be suspended.

[Varga] What are the chief characteristics of the presently proposed budget?

[Szekely] It calls for 60 billion forints. Unlike last year's budget, this is no deficit budget, it could not be a deficit budget because of the system of rules and regulations. Fifty billion forints of the total of 60 billion forints represent operating expenses. Within that the larger items include health care, mass transportation (BKV support) and education. The remaining 10 billion forints will be expended for developmental purposes, reconstruction, perhaps for new investments mainly in the fields of transportation, public works and sewage, and on modernizing the public road network.

[Varga] And how about housing? Are you going to leave that entirely to the districts?

[Szekely] Housing figures in the budget at two points. On the one hand, there exists a targeted housing investment fund of 1 billion forints which is simply transferred to the local government. But we also propose housing construction to be pursued independently by the City of Budapest. We would need about 400 million forints during the first year, and more or less the same amount in the second year. Some 2,290 housing units would be constructed in the framework of the three-year program, these could be sold by the city to the districts, or directly to future residents. We are unable to do more than that. The law provides that housing is within the jurisdiction of the districts. This is another reason why we would like to establish a housing fund. Presumably, this will be included in the housing law, just as it was part of the pact between the city and the districts that moneys derived from the sale of rental apartments must be reinvested in new housing construction.

GE Nuclear Power Plant Marketing Efforts

92CH0440G Budapest FIGYELO in Hungarian
12 Mar 92 p 16

[Interview with Tamas Herczeg, General Electric Company Nuclear Energy chief engineer, by an unidentified reporter; place and date not given: "GE Prepares for New Investment; Nuclear Power Is Its Line of Business"—first paragraph is FIGYELO introduction]

[Text] While the energy concept is being prepared, a number of foreign investors have contacted Hungarian officials with their offers. GE Nuclear Energy chief engineer Tamas Herczeg is interested in constructing a nuclear power plant.

[FIGYELO] Last week you were involved in negotiations as a member of the General Electric delegation visiting Hungary. You intend to initiate another investment, after Tungstam. What is at issue?

[Herczeg] Two members of our delegation arrived from GE's international office in London and the offers ranged from railroad cars to the modernization of the railroad network all the way to the manufacture of medical instruments. For myself, I work at the California-based GE Nuclear Energy Center; I wanted to obtain information as to the time when a decision can be

expected concerning the basic power plant investment project in Hungary. GE is interested not only in the renewal of smaller power plants—we have already submitted a proposal for modernizing the Kelenfold power plant—but also in constructing a nuclear power plant.

[FIGYELO] What was the Hungarian partners' reaction to your offer?

[Herczeg] We conversed with the chairman and members of the economic committee in parliament, with professionals at the Ministry of Industry, the National Technical Development Committee, the electrical works, and at the Power Plant Planning and Investment Enterprise, as well as with researchers from the KFKI [expansions unknown]. I believe that we have talked to virtually everyone able to provide substantive information, or whom we could inform at the level of substance. Our partners listened to us, but no commitments were made whatsoever, of course.

I believe that Hungary must increase its energy capacities and that such increase could be accomplished primarily by establishing a new power plant. It is true that the energy shortage is not getting worse at the moment, moreover, it is improving; at present levels your industrial and agricultural energy needs can be satisfied by existing capacities. But the existing energy sector will not be able to satisfy new demands, if a modern economy evolves with the influx of western capital. Reducing the presently more than 50-percent ratio of imported energy is a strategic issue.

[FIGYELO] What is the difference between your nuclear reactor and the existing reactor at Paks?

[Herczeg] The BWR [boiling water reactor] we would like to introduce in Hungary operates with boiling water, while the PWR [pressurized water reactor] at Paks keeps the water under pressure and does not allow it to boil. Our firm has 30 years of experience and more than 100 power plants operating safely throughout the world. The standard capacity of our reactor is 1,350 megawatts, i.e.,

about three times the capacity of a single block at Paks. Quite naturally, we would be willing to design a smaller block if needed. Last year we began constructing two blocks in Japan; one will be finished in 1996, the other in 1997, within a rather short period of time.

[FIGYELO] The antinuclear public mood is obvious. Do you think you will be able to sell your ideas to the public despite these sentiments?

[Herczeg] There were no protest movements at all in Japan against the powers plants. I believe they understood that the country had no natural power source, while industrial development required more energy. Nevertheless we are aware that people are afraid of nuclear reactors ever since Chernobyl. This fear can be reduced if people believe that the technical and security standards of Soviet reactors fell far behind our existing requirements. We cannot give up having cars just because a badly designed car brakes down. For example, the Paks power plant is safe because your professionals did not incorporate the faulty parts and main units into the reactor, but instead, used great circumspection in further developing the model delivered by the Soviets. Nowhere in the developed western world have people died as a result of nuclear reactors, no irreparable accidents have occurred. (Unfortunately!), the antinuclear mood is a political, not a technical issue.

[FIGYELO] Could GE provide financial assistance to the government for a possible investment?

[Herczeg] We had the Eximbank representatives with us at a two-day expert symposium of ours in Budapest last September. The bank would support this investment. We, on the other hand, would be able to obtain funds from foreign investors for this purpose; they would obtain energy from the new power plant in exchange for their investment. We could also make sure that in 10 or 15 years the power plant would become the property of the Hungarian state, and this is no negligible offer considering the fact that the average life of a reactor is 50 years.

Center Alliance Chairman Kaczynski Interviewed
PM0804092692 Szczecin GLOS SZCZECINSKI
in Polish 20 Mar 92 pp 1-2

[Interview with Jaroslaw Kaczynski, Center Accord chairman, by correspondent Danuta Jezowska; place and date not given]

[Text] [Jezowska] This is the second time that you have tried to put together a government coalition with the Democratic Union [UD] and the Liberal Democratic Congress [KLD]. We all remember that such a coalition was tried once before and that it failed. What is the reason for this political second attempt? Is there any threat to the current order of things?

[Kaczynski] Yes. There is the danger that the government may fall—accidentally. We have had a foretaste of this happening already. The prime minister has assured support from only 134 deputies in parliament, while an effective victory in any parliamentary vote requires at least 231 backers. This means that we have a minority government, which could, in practice, become hostage to, say, the Polish Peasant Association. At the same time, our social and economic situation indicates a need for a strong government capable of commanding a firm majority backing in parliament.

[Jezowska] Would a collapse of the government necessarily signal a disaster?

[Kaczynski] In Poland today a collapse of the Jan Olszewski government could lead directly to a failure of our young democracy. You must try to imagine such a development and its consequences. The next government need not necessarily be appointed by parliament. It could be set up quite openly by the *nomenklatura*. This is a perfectly real danger—as real as the possibility that, once it has been dissolved, the parliament need not necessarily be immediately replaced by a new one. We could have a very long wait before the next election....

[Jezowska] So that it is necessary to set up an alliance with other political parties at all costs?

[Kaczynski] I believe it is necessary to broaden the government's political base. For our part, the Center Alliance wants its consolidation and reconstruction. In no circumstances do we want a change of government. The price could be high because, after all, we did organize ourselves in opposition to the Democratic Union's political stance. I understand the resulting natural reluctance of some Center Alliance members to enter such a coalition: I myself find it a personally difficult decision. However, there are more important considerations than party loyalties. As I defend this government, I am at the same time defending democracy. Once the other parties—which trace their origin to Solidarity—have accepted the government program as proposed by Minister Eysymontt, the new coalition will be given a realistic chance of success.

[Jezowska] Is there no trace of a contest for party positions here?

[Kaczynski] In politics, such a contest is natural, but certainly not one of prime consideration. It is more important that we achieve a consensus on the guidelines and the methods of running the state. It would cost us too much if we were to accept major substantive compromises here. There are many essential changes still awaiting introduction, yet it is absolutely vital that they are implemented.

[Jezowska] For example?

[Kaczynski] Major changes about to be introduced in the military sector and in the state financial organizations have now been suspended. If any areas need decommunization more urgently than others, it is certainly these. Questions of Poland's security are at stake here, and we also need to realize that in a country with a free market economy financial mechanisms involve more than just as system of bookkeeping. They constitute a very important regulator of social moods. Consequently, it is not a matter of indifference who controls the two aforementioned sectors.

[Jezowska] It took some time before Prime Minister Olszewski became convinced of the need to restructure the government. Even you fell victim to a number of misunderstanding, did you not? We could have been forgiven for assuming that the premier wanted to build up the strength of his own party on the basis of citizens' committees.

[Kaczynski] Our democracy certainly needs strong parties, but equally certainly it does not need a strong party concentrated around the premier. The government's business is state administration. I believe that the attempts by previous premiers to build up their own party structures with the help of the executive power apparatus which they commanded at the time were actually an abuse of their position. This type of abuse usually backfires at some later date. A party constructed on such a basis is governed by opportunistic principles and sooner or later it will fall apart.

[Jezowska] Recently there was much talk of precisely this type of disintegration within the Center Alliance.

[Kaczynski] A political earthquake was predicted for our party, but the earthquake happened mainly in the papers—and even this was due mainly to nothing more than reporters' efforts. I believe that not only is the Center Alliance perfectly safe from the danger of disintegration but, on the contrary, it is just about to open its structures wide in order to form a strong Christian Democratic center-right orientation in Poland. All center formations are difficult to construct and maintain, but in a democratic system they are particularly valuable because they offer a strong chance of political integration.

[Jezowska] Thank you for talking to us.

KLD's Tusk Discusses Coalition Talks

AU0704160292 Warsaw ZYCIE WARSZAWY in Polish
4-5 Apr 92 p 6

[Interview with Donald Tusk, chairman of the Liberal Democratic Congress, KLD, by Elzbieta Misiak; place and date not given: "Reconciling Chalk and Cheese"]

[Text] [Misiak] The first meeting of the expanded government coalition lasted many hours and ended with a very brief communique on the formation of a coalition. What did you discuss for such a long time?

[Tusk] Six hours were required, and those had to be preceded by several weeks of talks and Tadeusz Mazowiecki's goodwill mission for a meeting to be held at all. That is why it is tiresome and perturbing that so much time is needed for a group of adults to reach agreement on a completely obvious matter. The government is weak, it has a weak base of support in parliament, extremely difficult things to do, and it must expand the coalition. The government must be expanded. That would seem obvious, but before that conclusion was arrived at, many hours of talks were required and a very painful process had to be gone through. At this stage, no one has been talking about who should receive what ministry and what each particular party has to give up. During those six hours, we achieved nothing more than an initial position.

[Misiak] What obstacles to agreement were there and from what quarter did they come?

[Tusk] Simply stating who is interested in seeing the government program realized was difficult. It appeared that the government would have to seek cooperation with more partners. Somehow, it was difficult to actually come out with that.

The Liberal Democratic Congress [KLD] participation in the talks is an example of goodwill that verges on political naivete. After all, it was we who had every reason to remain in opposition because there are many things that we do not like, and being in opposition is very convenient because then we can have every reason to bear grudges. We are giving up that position through our unconditional participation in the talks. It is hard to imagine how this can lie in our political interest, because it means that we are ready to share responsibility for very difficult matters.

[Misiak] Is it not the case that these difficulties in reaching agreement are due to the fact that it is like trying to reconcile things as different as chalk and cheese? Can it be done at all?

[Tusk] We decided that it was worth joining the talks after we had familiarized ourselves with the draft budget, because it shows that the government possesses financial common sense and basic economic good sense.

It is not a coalition intended to delight any politicians. The Christian-National Union is suffering because it has

to sit at a table with liberals, and the farmers look on suspiciously because they would prefer to find partners who would press for more money for the countryside. We are prepared to participate for solely one reason, namely, in order to govern one needs two-thirds of the votes in parliament and there is no one who would want new elections now. The 10 parties that have come together have certain points in common: They have a noncommunist origin and accept privatization, the free market economy, parliamentary democracy, and that produces two-thirds. No other coalition is possible.

[Misiak] So, what possibility is there of reaching agreement on solutions to concrete problems, despite such substantial differences?

[Tusk] I do not know whether that possibility exists, but no responsible politician in this Sejm can stop seeking such a possibility, not even for a moment. The KLD has decided that it will not do anything that might hinder or prevent the formation of a coalition.

[Misiak] But how can the view that the liberals have led the country to ruin and grabbed what they could for themselves be reconciled with bringing them into the government now?

[Tusk] If someone speaks about his political opponents or partners in a fatuous, hostile manner, one that is incompatible with the law, then that is his problem. It is a matter of his complexes, duplicity, and ill will. I can also say, because we now know this, that much of the antiliberal hostility in the media was deliberate and intended to block any talks with the liberals.

I am not responsible for other people's political sense or wisdom. If some people now declare that they want to cooperate with the KLD, that it is only the Democratic Union which is a problem, and "all the nonsense about scandals was just about gestures aimed at the electorate," then the problem is one of these people's political maturity and not the KLD's problem.

[Misiak] Why was the Democratic Union so eager to draw the KLD into a grand coalition?

[Tusk] It was in their own interest, which they understood well and expressed sensibly. It was not something that the KLD was seeking. Actually, one cannot imagine anything better than being in opposition to a government that is implementing a very stringent budget.

We held talks with Tadeusz Mazowiecki on many occasions. We were assailed by many doubts and there was resistance within our own party, but we managed to convince people that it made sense to take on this demanding job. Even if our own party is to lose out, it definitely has to be tried if that is what the public interest dictates. The alternative is that the government collapses, and that in no way means that a better one will be formed.

[Misiak] Did you not discuss the distribution of ministries during these lengthy talks?

[Tusk] We talked about how the degree of representation in the new government should reflect relative party strength in parliament. This is quite an objective criterion and results from the outcome of the elections. Many partners found this concept, which was accepted by Prime Minister Olszewski, very difficult to accept.

[Misiak] What kinds of arguments were put forward?

[Tusk] I do not know. The talks in this peculiar political situation were like this: "Well then, so we are deciding on equality in keeping with the proportion of seats in parliament?" "Yes, yes, of course, we have to take account of that, not that we do not have to, but we will just accept it as a basic criterion." "Good, so we agree that the prime minister will decide, but he will take the proportion of seats into account." That was how it went on for two hours.

[Misiak] So, no one proposed that there should not be a party based criterion at all and that the only criterion should be one of a substantive kind?

[Tusk] We all talked about that. We, for our part, would not have raised any objections if the prime minister had put forward competent people from outside the parties. I would very much like the prime minister to display great imagination, a firm will and authority by proposing a genuinely good government, but that seems impossible. I would also like to add that some people forget that we are to talk about concrete issues, about what has to be done, and they behave in a way that is a mixture of television and addressing the Sejm. At one point, Gabriel Jankowski gave me and Tadeusz Mazowiecki a piercing look and started talking about how he had been driving through the countryside and how there was hay lying on the ground and fields had not been plowed. It was to be interpreted as meaning the KLD was responsible for the fact that farmers were not plowing their land.

[Misiak] What prospect is there of the talks ultimately ending in success?

[Tusk] I am not saying that they will succeed. I would say that I am hopeful, perhaps the hope is a naive one, that there is a possibility. If it transpires that there are some politicians or parties that will prevent the formation of such a coalition, then they will have to shoulder the responsibility for the failure that this country will suffer.

Party Squabbles in Voivodship Administrations

92EP0301A Warsaw GLOB 24 in Polish 21-23 Feb 92
p 3

[Article by Wojciech Krawczyk: "Voivodship Shadow Cabinets; Right Wing Knows Not What the Right Wing Is Doing"]

[Text] Conflicts between self-government bodies, political groups, and unions [on one side], and organs of state administration [on the other side] are still underway in

about 30 voivodships. We could recognize them to be a manifestation of regular political life, a struggle between those in power and the opposition, if programs and reasoning broader than the width of an official's desk were the object of these disputes.

An interesting point which at the same time exacerbates the chaos is that the Office of the Council of Ministers and its head, Wojciech Wlodarczyk, who is in charge of local administration, do not necessarily appear to favor the ambitions of local politicians belonging to the same parties.

In most general terms, the organizations of the PC [Center Accord], the ZChN [Christian National Association], and Solidarity, and on occasion the KPN [Confederation for an Independent Poland] would like to see "their own people" hold positions in the belief that they are entitled to this by virtue of the results of parliamentary elections. On occasion, it is difficult indeed to understand these numbers and these situations.

In Chelm, the Board of the Regional Chapter of Solidarity put to a vote for the third time a proposal to recall Deputy Voivode Eugeniusz Wojcik (independent) and one of the directors of the Voivodship Office, justifying this suggestion by declaring the need to take into account the candidates of winners in the "distribution of the spoils." Actually, the trade union ranked rather low in the elections, having lost to the Catholic Election Action, the Union of the Democratic Left, and the Democratic Union.

In Biala Podlaska, a dispute continues among members of the voivodship conference as to whether the current Senator and Deputy Marshal of the Senate Andrzej Czapski (KLD [Liberal-Democratic Congress]) is to continue discharging the responsibilities of voivode, and if so, whether he has the right to do so "on a volunteer basis," as he himself proposed after the elections. The lack of an opportunity for the representatives of the conference to contact the voivode hampers the clarification of this matter. Once again, he failed to attend the last session because he went abroad, this time with a parliamentary delegation to the Bundestag.

It is still unknown how a conflict between the voivode of Radom, Jan Rejczak (associated with the movement of the Clubs of Catholic Intellectuals and the church) and Deputy Jan Lopuszanski (ZChN), over the rationale for Rejczak holding the office, would end. The voivode argues that accusations leveled by the deputy are too general to merit taking issue with them, to which the deputy retorts that decisions made by the Voivodship Office are not in line with the development program of the voivodship adopted by the ZChN.

In turn, a couple of days ago, Chairman of the Center Accord Jaroslaw Kaczynski stated at a press conference in Lublin that, while he was not authorized to suggest changes in the administration, he did have a good candidate to take the position of the current voivode Jan

Wojcieszczuk (independent). Adam Cichocki, the voivodship PC leader, was the chairman's candidate.

This proposal elicited a dozen or so statements in which representatives of individual groups came out against Kaczynski's proposal, or supported it, resorting to varying interpretations of "election numbers." The UD [Democratic Union], the KLD, Labor Solidarity, the PSL [Polish Peasant Party] (organizations which received 60 percent of the vote in the elections), as well as the Lublin Self-Government Conference, rose to the defense of the voivode.

For their part, the ZChN, the PC, and Rural Solidarity, as well as the Confederation for an Independent Poland, which does not belong to the government coalition, came out in favor of the PC leader. Only the SdRP [Social Democrats of the Republic of Poland] took a neutral position. The purely political demand to surrender an office also met with disapproval from a segment of PC activists and one of the senators belonging to this party.

Last Monday, Minister Wlodarczyk (incidentally, a deputy from Lublin Voivodship) met with Voivode Wojcieszczuk in Lublin. After the meeting, spokesman for the voivode, Wojciech Samolinski announced that a change in the position of voivode was not a subject of talks, and it appears that this problem does not exist at all. Jan Wojcieszczuk himself told us that he has no comment to make either on Kaczynski's statement or the content of declarations by individual parties and organizations.

Church Territorial Organization, Reform Explained

92EP0272A Warsaw PRZEGLAD KATOLICKI
in Polish No 3, 2-9 Feb 92 pp 5, 8

[Article by the Reverend Grzegorz Kalwarczyk: "Church in Poland Faces New Administrative Division"]

[Text] In conjunction with the information appearing in the mass media about planned administrative changes in the church in Poland, we note an increased interest in territorial church structure in our country. It seems useful in responding to this interest to recall the territorial network of our church that has been in place thus far.

In Poland, there are actually 26 dioceses and archdioceses and one apostolic administration in Lubaczow. Between the end of World War II and June 1991, the territories of Bialystok and Nadbuzan were apostolic administrations with headquarters in Bialystok and Drohiczyn, respectively. During his fourth pilgrimage to Poland, the Holy Father, John Paul II, elevated them to the rank of dioceses. In reaching this decision, he was undoubtedly influenced by the religious reawakening in the USSR and the regained possibility of installing bishops in dioceses in the main cities of former Polish territories which fell beyond Poland's eastern boundary after the war.

The concept of a diocese must be understood as a territory with defined boundaries which the Holy Father entrusts to a specific bishop (the diocesan bishop, ordinary, administrator, pastor) for the fulfillment of pastoral responsibilities toward the faithful living in that territory. Considering the territorial extent of the diocese or great number of faithful, the diocesan bishop may be assisted by auxiliary bishops. For example, there are seven auxiliary bishops in Warsaw.

In addition to territorial dioceses, personal dioceses are created within the church structures when the Apostolic See entrusts to a specific bishop in a territory the care of faithful belonging to a certain nationality, rite, calling, etc. An example of such personal administrative units in Poland is the field or military bishopric for the faithful in the military and the bishopric for the faithful of the Byzantine-Ukrainian rite.

Considering their history, size, situation, etc., some territorial dioceses are designated archdioceses. A bishop administering such an archdiocese has the title of archbishop. Principal cities of larger territorial units such as church provinces, termed metropolises, usually serve as archdiocesan headquarters. A metropolis is a group of several dioceses headed by the archbishop of the metropolis. A metropolis may be comprised of one archdiocese; in that case the territory of the archdiocese and that of the metropolis coincide. An example of this may be the Poznan archdiocese which is also a metropolis; it does not have any suffragan dioceses or suffragans.

The bishops administering dioceses and subject canonically to the local archbishop of the metropolis are termed his suffragans. It is obvious from this that it is improper to use the concept of suffragan with respect to auxiliary bishops in a diocese. We must also add that there are cases where the Apostolic See bestows on a certain bishop the title of archbishop without making him the administrator of an archdiocese. In this case, we are dealing with a titular archbishop. This is a substantial papal distinction, but, except for the matter of precedence, it does not give the distinguished bishop any special authority in administering a part of the church. In Poland, the following hold the status of titular archbishop: the secretary of the Polish Episcopate, Archbishop Bronislaw Dabrowski and the Przemyśl ordinary, Archbishop Ignacy Tokarczuk. The former is an auxiliary bishop in Warsaw and the latter administers the Przemyśl diocese.

Generally speaking, apostolic administrations have rights equal to those of the dioceses, but for certain reasons, for example, political, they cannot be promoted to the rank of a diocese. The word, "apostolic," in the name indicates that the territory is under the special care of the Apostolic See. The three former apostolic administrations (one at present) in the territory of eastern Poland indicated that boundary problems with the USSR had not been legally resolved. The apostolic administration in Bialystok was an area cut off from the

Vilnius archdiocese by a national boundary; in Drohiczyn, it was the area cut off from the Pinsk diocese; in Lubaczow, it was the remnant of the Lvov archdiocese that remained in Poland. An apostolic administration is governed by bishops with the title of apostolic administrators.

As a historical curiosity, we may add that Communist censors did not acquiesce to the use of the designation, apostolic administration, for these areas of eastern Poland. This designation reminded Polish and Soviet authorities that the matter of the boundary between Poland and the USSR had not been established by state treaties. These were shameful matters of which people were not to be reminded by the mass media. The censors took care of this. The Apostolic See in turn did not hurry to create dioceses before the boundaries were settled by treaties. Moreover, the situation was similar in regained lands where postwar dioceses were organized only in 1972 after territorial matters between Germany and Poland were settled. In this respect, until recently when any diocesan annual was to be issued, the state censors absolutely refused to approve placing any designations in the text that would remind people of the existence on Polish territory of the Pinsk diocese near the archdioceses of Vilnius and Lvov. The publishers then resorted to camouflage in the form, the "archdiocese in Bialystok" (not the Bialystok archdiocese) implying that what was concerned was the territory of the Vilnius archdiocese, the "diocese in Drohiczyn" implying that this was the territory of the Pinsk diocese, and the "archdiocese in Lubaczow" (not the Lubaczow archdiocese) implying that this was a part of the Lvov archdiocese which remained in Poland.

The present Polish territory includes seven metropolises or church provinces. The capitals of these metropolises are: Gniezno, Krakow, Lvov, Poznan, Vilnius, Warsaw, and Wroclaw.

The Gniezno metropolis includes five suffragan dioceses in addition to the Gniezno archdiocese. These are: Chelmno, with headquarters in Pelplin, Gdansk, Koszalin-Kolobrzeg, Szczecin-Kamien and Wloclawek.

In addition to the Krakow archdiocese, the Krakow metropolis includes the following dioceses: Czestochowa, Katowice, Kielce and Tarnow.

The Lvov metropolis is made up of the Lvov archdiocese and the suffragan dioceses in Luck and Przemyśl.

The Poznan metropolis, as has been said, was made up of only the Poznan archdiocese and does not have suffragan dioceses.

In addition to the Vilnius archdiocese, the Vilnius metropolis includes two suffragan dioceses, Lomza and Pinsk. Together with the Lvov metropolis, these were cut by the state boundary and only a part of their territories remained in Poland; from these, the Apostolic See created the apostolic administrations in Bialystok, Drohiczyn and Lubaczow, mentioned above.

In addition to the Warsaw archdiocese, the Warsaw metropolis includes six suffragan dioceses: Lublin, Lodz, Plock, Sandomierz-Radom, Siedlice, and Warmin with headquarters in Olsztyn.

Last alphabetically is the Wroclaw metropolis which, besides its own archdiocesan territory, has two suffragans: Gorzow and Opole.

It must be noted that the Gniezno and Warsaw metropolises have been united since 1946 in a personal union; this means that the archbishop of the Gniezno metropolis, therefore the Polish primate, is at the same time the archbishop of the Warsaw metropolis and by the same token has full bishop's authority in both archdioceses and is the metropolitan with respect to 11 suffragan dioceses which lie within the orbit of the Gniezno and Warsaw metropolises. This encompasses almost two-thirds of Poland.

Without even beginning to consider the number of residents in the individual dioceses, the number of priests, the area or the boundaries, the specifications presented above and the historical-political conditions indicated demonstrate the need for reorganization of the administrative network of the church in Poland. Added to this are the resolutions of the Vatican II Council, which in its documents recommends that every bishop should be a true shepherd of his flock and should accept responsibility for all the faithful entrusted to him. This is possible only if the dioceses do not encompass vast territories and the number of faithful living in them is not too great.

The new church administrative structure in Poland prepared by the Apostolic Nunciature in Warsaw anticipates not only a correction of boundaries, but also the creation of new dioceses and metropolises. Under consideration is the creation of ten additional bishoprics: Bielsko-Biala, Elblag, Elk, Kalisz, Legnica, Lowicz, Radom (separated from Sandomierz), Rzeszow, Warsaw, and Zamosc (with Lubaczow). After such reorganization, Poland would have 36 dioceses and archdioceses in all and probably 10 metropolises: those now in existence, Gniezno, Krakow, Poznan, Warsaw and Wroclaw, and the new, Bialystok, Gdansk, Przemyśl, Szczecin, and Warmin.

The final decision as to the planned administrative reform of the church in Poland will be made by the Holy Father.

Planck Institute Aide on Polish-German Ties

*PM1004143692 Lodz GLOS PORANNY in Polish
2 Apr 92 pp 6-7*

[Interview with Dr. Dietrich Scholze of the Max Planck East European Institute in Berlin by correspondent Marek Regel; place and date not given]

[Text] [Regel] Recently, there have been an increasing number of incidents in Germany in which foreigners,

including Poles, have been beaten up. In your opinion, what lies at the root of this phenomenon?

[Scholze] Germans have indeed been beating up Poles, and it is likely that they will continue to behave in this way for some time to come. It could last another five, or maybe eight, years, until the economic situation improves in eastern Germany and people get used to the market economy system, which at present virtually rules their entire life. For the time being, the behavior of Germans in the eastern part of Germany reflects their reaction to the profound stresses, which some psychologists even identify as a deep psychological trauma, caused by the vast discrepancy between their dreams and their actual, real-life circumstances brought about by the unification of Germany. You must realize that few of us live the kind of prosperous life that is commonly enjoyed by the Germans in the western part of our country; at the same time, we have lost the many privileges guaranteed to us in the real socialism system. Now we have mass unemployment and "parachutists" from "the West" arriving in the eastern part of Germany to take up all higher managerial positions. To put it bluntly, our Western brothers are behaving like an occupying force.

The stress felt by our people manifests itself externally as aggression directed against foreigners. However, it is not Americans, Britons, the Swiss, or the French who come under attack, since on the whole they represent the employers in eastern part of Germany. Instead, the victims are selected among those who are seen as weaker, that is, Poles or others who seek asylum in Germany. Not even determined action against this trend on the part of the police can change anything here. A solution to the problem must be found by politicians and managers.

The correctness of the assumption that acts of aggression against Poles have their roots in the economic situation is attested to by the fact that the attackers are mostly young, and that they are not necessarily always neo-Nazis. Young people are afraid that the increasing influx of foreigners to Germany will reduce their future chances for a comfortable position in life. They believe that the Polish immigrants present a particular threat, since they are on the whole well educated, intelligent, and outstandingly clever.

[Regel] I believe that the anti-Polish mood is aggravated even further by the extreme right views which are especially popular in the "East," and also by the stereotyped opinions dating back to the times of the "Iron Chancellor," Bismarck.

[Scholze] My own observations and findings do not confirm this unequivocally. In any case, these reasons do not influence the 17 million inhabitants of eastern Germany to any large extent. After all, there are fewer than 15,000-20,000 neo-Nazis in Germany, and they do not play any significant role in our political, social, or economic life. The slogans in which they call for a restoration of the former eastern territories—those that now now belong to Poland—find negligible response in

our society. All the same, I must admit that, in contrast to Poles, who maintain that such cities as Wroclaw or Szczecin are historically Polish, young Germans on the whole believe that they were simply lost to the allies by Hitler and that their allocation to Poland was a part of the war reparations scheme to make amends for the losses sustained during World War II.

On the other hand, certain stereotyped views reinforcing a negative attitude to Poles have indeed gained ground here. For example, there is the widespread view that a vast majority of Polish people are crooked peddlers or car thieves and that the best policy is to drive them all out of German territory.

Many Germans are irritated even by the fact that Poles are still eager to buy many goods here, though this is a highly advantageous phenomenon for our economy. Well, this attitude is a relic of the old GDR days, when the fear was that Poles would strip East German stores bare....

[Regel] Nowadays in Germany you come across many small traders from Czecho-Slovakia or Hungary, but I have never seen them being treated in the same way as Poles....

[Scholze] We know the Czechs and the Hungarians much better than the Poles. Their countries are attractive to tourists; many Germans visited them frequently even in the old GDR days. In this way, we were able to see for ourselves that they were, as human beings, no different from ourselves, and that we had much to offer each other. In recent years we even developed a particular fondness for the Hungarians, because they were the first nation of the former socialist bloc to open their borders to fugitives from East Germany. Even today there is a tremendous amount of propaganda in their favor because of this, but the public all too often overlook the fact that the Poles and the Czechs also offered tremendous help to East German fugitives.

[Regel] Yet we still remember how, in the sixties, there were close and animated contacts between Poles and East Germans, who were only too glad to visit our country, then flourishing under the rule of Edward Gierek.

[Scholze] This did not last very long, though. Later, when Solidarity arrived on the scene, the authorities did all in their power to seal the border between Germany and Poland and to turn us well and truly against Poland and the Polish people. We were told repeatedly that Poles did not want to work and that they would prefer to sponge on their neighbors. We have thus turned our backs on each other, and the distance between us and the Poles has been increased even further by our unification. The eastern part of Germany has by now concentrated all its attention on the western part. Indeed, you could say that it has been hypnotized by the West. In addition, our media publish little information about your country, and when they do, it is mostly sensational news or articles about the dark side of your daily life.

The average German in the eastern part of Germany knows much less about Poland today than he did in the GDR era. He also has fewer opportunities to get to know your country's culture. In the past relations between our two countries were officially planned, but this involved the obligation to publish significant literary works, stage important theatrical productions, and present the rich offer of the Polish film industry. These days culture is no longer subsidized, and everyone is after profit. We are beginning to drown under a deluge of garish Western rubbish.

[Regel] This suggests that we should not expect a surge of interest in Poland and its inhabitants from people in the eastern part of Germany, does it not? Nor should we anticipate a change in their evaluation of our country and its people.

[Scholze] I would not view Polish-German relations in such dramatic light. After all, contacts between our countries continue to be positive, and we are constantly expanding them. Many Germans like the Polish people and are interested in their culture, cultivating numerous friendly links with Poland through their friends and family connections. However, the future growth of the Germans' interest in Poland and their willingness to cooperate with the Polish people depend mainly on...the Poles themselves. You can no longer count on capitalizing on our gratitude for the overthrow of communism. Now you must quickly enhance your market attractiveness to the German economy and increase your political influence in East Europe. Moreover, you should not make it too easy for my compatriots to believe that they are "supermen," or that they occupy the center of the European world, for then they will inevitably look down their noses at you. Unfortunately, that is precisely what you have been doing. Recently I watched a program on our television in which German businessmen who had invested in Poland or bought property there gave their opinions on the country. Some of them did indeed behave like "supermen": They gloated about how Polish people fawned on them and about how servile they were. Incidentally, we in the eastern part of Germany behaved in a similar way toward our fellow countrymen living beyond the River Elbe, and by now they are convinced that we are second-class Germans that deserve to be treated with contempt. They still have not bothered to notice that all the great German literary works of the past 40 years were created in the eastern part of Germany and not in their own section of the country.

To would advise you to maintain active involvement in your relations with the Germans and to refuse to be discouraged by the brutality shown by the perpetrators of anti-Polish attacks. At the same time, I would suggest that you take a long, calm look at what the Germans can offer you on the way to a united Europe.

Defense Ministry Plans To Lease Firing Ranges

92EP0300A Warsaw GAZETA WYBORCZA in Polish
10 Mar 92 p 3

[Article by Bartosz Dobrzynski and Joanna Grodzka: "Ministry of Defense Wants To Lease Polish Training Grounds to Foreign Armies; Any Takers for Training Grounds?"]

[Text] The MON [Ministry of National Defense] maintains that training grounds are a commodity, just as anything else. Ecologists are afraid that trade in training grounds will harm the environment.

General Julian Lewinski, deputy chief of the Main Directorate of Combat Training of the Polish Armed Forces, told GAZETA WYBORCZA yesterday: "If we receive interesting offers from abroad, we may lease training grounds." Previously, Deputy Minister of Defense Radoslaw Sikorski mentioned this possibility.

Gen. Lewinski made the reservation that conditions should be set for possible partners: no training with chemical weapons or other weapons which are burdensome for the natural environment or the populace.

Regular Trade in Training Grounds

Gen. Lewinski explained: "West Europe does not have as many training grounds as the countries of the former Warsaw Pact. A different training system is used there: Exercises are frequently held on regular grounds, and tanks drive on regular streets, to be sure, with rubber guards on their tracks. Only fire training takes place at small, closed training grounds."

The use of training grounds in other states is frequently practiced throughout the world. For example, the German Luftwaffe goes to Canada for flight exercises; until 1988, the Polish air defense troops trained in firing anti-aircraft missiles in the USSR.

The chief of combat training said that we would like Czechoslovakia to make available to us one of the mountain training grounds, which we do not have in Poland. In return, the Czechoslovak Army could train at one of our training grounds.

In Gen. Lewinski's opinion, training grounds are necessary in order to maintain a high standard of training. Even excellent tank simulators which, for example, the Americans have are no substitute for actual firing.

Gen. Lewinski said: "Of course, the troops destroy some of the stands of trees. However, we try to minimize the damage done. For example, we cooperate with the fire brigades in putting out fires."

Even Transportation Is Dangerous

Director Wojciech Jaworski from the Ministry of Environmental Protection told GAZETA WYBORCZA: "We understand that the budget of the MON is full of holes, just as that of any other ministry. However, leasing

training grounds to foreign armies would be dangerous for the natural environment. This is why the Ministry of Environmental Protection would have to analyze each transaction very closely together with the Ministry of National Defense."

He went on to say: "If we were indeed to lease land, our ministry would not agree to any preferences or privileges."

Artificial smoke screens created by, for example, burning tires are frequently used during maneuvers on training grounds. Fires happen during maneuvers; uncontrollable emissions of carbon dioxide occur, and entire tracts of forests die.

Director Jaworski noted that the ministry would not authorize the training of chemical troops in any event.

He stated: "Fuel may leak from vehicles during transportation which will subsequently pollute soils and sub-surface waters."

Deputy Chairman of the Sejm Commission for Environmental Protection Radoslaw Gawlik told GAZETA WYBORCZA that training grounds are areas to which access has always been restricted, and where in many cases nature still survives in pristine condition for this reason. He proposed that nature preserves be created in these areas instead of leasing them to foreign armies.

[Box, p 3]

Training grounds used by Polish troops take up 160,000 hectares. The troops of the former USSR have 60,000 hectares of training grounds in Poland. Areas occupied by the training grounds have Category VI or worse soils, which are not suitable for farming. Only about 10 percent of the grounds are actually used by the troops (this includes firing ranges, roads for the movement of combat vehicles, and so-called shell impact zones). The remaining 90 percent are a security zone.

Several national parks and nature reserves are located within the areas of training grounds, for example, the white eagle reserve at the Drawa training grounds.

New Arrangements in Ex-Soviet Trade Needed

90EP0290A Warsaw RYNKI ZAGRANICZNE in Polish No 21, 18 Feb 92 p 3

[Article by Mikolaj Oniszcuk: "Trade With the Countries of the Former USSR in 1992"]

[Text] After 1991, which was none too easy, we have entered the equally difficult realities of 1992 with which the government and economic units will have to contend. As the economic reports show, the evaluation of domestic and foreign specialists, and also predictions of developments in the postsocialist countries, the causes generating the crisis in them are structural and it will take at least several years to remove these causes. This situation will influence Polish foreign trade and the

turnover with the countries of the former USSR in particular. Regardless of political option, one must throw off all one's illusions, and the main effort should be concentrated on creating and strengthening undertakings which will make it possible to gradually overcome the causes of the "collapse" in trade with these countries in 1991. There is a need for cold judgments and realistic, effective actions. But let us first answer the question:

Where Are We?

According to initial evaluations, the deepest collapse in postwar trade with the post socialist countries occurred during 1991. On the order of 40-60 percent. The greatest decline occurred in turnover with the former USSR, on the order of 60 percent. If it is possible to speak of "good" here, the results in trade between Poland and Hungary and Czechoslovakia were better.

According to cautious estimates, trade turnover between Poland and the seven main postsocialist countries (excluding the former GDR) was \$3.5 billion in 1991. The "final scraps" in transfer rubles on the order of 1.2 to 1.3 billion should be added to the total.

Characteristically, there was a negative balance of trade of \$0.7 to \$0.8 billion in the dollar turnover. A very noticeable change in the structure of exports and imports has occurred. There was a visible decline in investment shipments such as machinery, equipment, and transportation equipment.

The breakdown in trade with the East is not particularly surprising for specialists and practitioners. It was predicted as early as 1989, although on a smaller scale. The speed and depth of the crisis (and the collapse of the structures) in the countries of the former USSR was a bitter surprise for the theoreticians and practitioners. Their percentage in Polish trade continued to fall in 1991 and reached about 11 percent of exports and about 16 percent of imports.

Against this background this question constantly returns:

What Are the Causes of the Causes?

Some say that the cause of the breakdown in trade with the former USSR was and is the shift from settlement in rubles to settlement in dollars. They add that the operation of changing the principles and economic mechanisms in cooperation introduced on 1 January 1991 was insufficiently prepared on the Polish and the former Soviet side. Others add further that for a long time there was no political support for the construction of new principles of cooperation (visits at the highest levels of power). There also was no publicity support (criticism and demands dominated in the press).

Those who support such judgments and views may be partially right. But it is difficult to agree with the central thesis that it was precisely the shift from settlements in rubles to dollars that caused the decline in trade with the

former USSR. Agreeing with a partner on trade principles and settlement mechanisms based on real, convertible currency, at real exchange rates and real world prices was, in my opinion, a healthy and forward-looking undertaking. Only then are the economic calculations in trade real and only then do they create real foundations for the selection of areas of cooperation and decisions on exports and imports at all levels, from the government to partnerships.

Abandoning artificial bookkeeping settlement units such as the transfer ruble, abandoning arbitrarily set exchange rates for the dollar, abandoning statistical prices based on "a rolling" basis of world prices is not a disaster but a return to normality.

Another group points to the incontrovertible fact that the change in principles and mechanisms of cooperation exposed and brutally revealed the irregularities in the economies of the socialist countries, the disproportions and low levels of their productivity, which had been growing at least since 1986. It coincided with the economic crisis in the former USSR and with the slight advancement of the reforms in those countries in comparison with Poland.

Specifically, it was not the "faults" of the new system that caused the decline in trade, but the collapse in the demand for investment goods in the countries of the former USSR, the growing debts of the Eastern partners, and the need for "peak" payments in 1991-92 of principle and interest that drained the convertible currency funds. As a result, Polish investment exports to the former USSR collapsed, and there is a shortage of convertible currency for paying Polish exporters.

There were also mistakes on the Polish side. They must be sought in the creation of conceptions and strategies for domestic economic development, in policy toward industrial plants producing for the postsocialist markets, and for the Eastern ones in particular. The main "sin", I think, is the lack of a considered conception of development for Polish industry specializing in exports not only for the Eastern markets, but in general. Further, there is a lack of conceptions of privatization and restructuring adapted to the development needs of the country. This task is also associated with the central question of how to support Polish export industries—state, private, and cooperative. The problem of support and the amortization of the predictable results of the shift to new principles of trade and settlement with the USSR constitute an integral part of the Polish conception in 1989. It is worth examining more closely what was done in this area. I suspect rather little.

What and Whom To Support?

In the time of a budget "gap" it is an unpopular question. But support does not mean to give, and that in the old style, by subsidies, without hope of recouping the funds.

My point of view in this matter is based on the assumption that Polish export industries, especially during this

phase, cannot be left without help from within and from without. They require support, besides moral support for the people supported by these industries, in the use of systemic measures adequate to the current situation, capital infusions, organization and material help, etc. This support should go hand in hand with initiatives and with the enterprises' own efforts. Specialists of the ministry of industry, finance, and foreign economic cooperation should develop a package of support—emergency for today, more stable for several years—and implement it by administrative force (emergency) and by economic instruments (in principle). Let the funds from abroad and the zloty funds go where they are needed from the point of view of the interests of the country; let them create new and modern export capacity, for it will determine Poland's place in Europe, in the international division of labor. The immediate interest is one thing, but the prospective interests, none too far away, are still more important.

Everyone or nearly everyone agrees that we must take care of the Eastern markets. But in order for that to be more than a mere slogan, we must today have a conception of cooperation by industries and by products with the particular countries and especially with Russia, Ukraine, and Belarus. Others also do not know what will happen beyond the Eastern boundary, but they are signing agreements for cooperation on industries and products, on the construction of production facilities, for the processing of raw materials.

We have a good tradition of cooperation. We must consider which of the traditional directions to reject, consider ineffective, unprofitable, and what to keep, develop, and support. Looking through the producers' and exporters' prism, I would not resign from industrial products, pharmaceuticals, cooperative relations, some specialized shipments, and also from products of light industry, not to mention the shipbuilding industry. There will surely be opportunities in the processing of agricultural products and in equipment for small and medium-sized farms. For at least a few years, opportunities to export to the Russian or Ukrainian investment giants will disappear, for there will be none, and if there even are some, then capital and credits—which we do not have—will determine the choice.

That is a fragmentary answer to the question what and whom to support. I would also add that those producers and exporters who have begun restructuring and modernizing or, based on sales opportunities, are inclined to begin such actions in the near future, above all require support.

More About Infrastructure

In 1992, the transformation of the agreement infrastructure on cooperation with the countries of the former USSR should be finished. Work in 1991 led to the signing of framework intergovernment agreements on economic and trade cooperation with Russia, Ukraine, Belarus, Latvia, Estonia, and Moldova. Agreements with

Lithuania and Armenia were initialed, and the text of an agreement with Georgia was established. We have as yet to reach agreements and sign them—practically to establish trade relations—with Uzbekistan, Kazakhstan, Kyrgyzstan, Tadzhikistan, Turkmenistan, and Azerbaijan.

The negotiation of protocols and trade agreements for 1992 will also be crucial. So far, such a protocol has been signed with Russia—in installments. Time is passing, and the reality on the other side of the border is not favorable to detailed agreements which would make life easier for the economic units. They must count on themselves, on their own initiative and entrepreneurship, following the general principles contained in the intergovernment agreements and above all the economic equation.

The network of agreements, more or less “new,” transforms the model, the principles and the economic and financial mechanisms for cooperation with the 15 countries on the territory of the former USSR. Another, no less important area of action is the need to build a new effective infrastructure associated with trade and economic cooperation. This applies especially to the expansion and modernization of the border points. Here announcements and declarations predominate over concrete actions. There are still long lines in which one sits for several days waiting that effectively block the flow of goods and people. The communications infrastructure is very weak; sometimes it is easier to reach a place near the border on foot than to get a telephone connection. It is better not to speak of getting a connection with the Perm market or with a partner in Novosibirsk. The bank infrastructure on our partners’ side is meager.

There is still no visible activity in the creation of storage facilities and magazines along the Eastern boundary. New investments in the development of the processing base in the border regions, especially for agricultural products, are also not visible. For now, the voivodes have put forward some initiatives, which should be valued, but there has been no significant implementation. The old faith in financing from the “center” must still remain. That is a vain hope when the budget deficit is growing. Regional promotional and marketing initiatives should be recognized with satisfaction and supported in various ways. In 1991, there was a bounteous harvest of fairs, economic meetings, exhibitions, initiatives to enliven local residents for cooperation with border regions in Lithuania, Belarus, and Ukraine, to attract partners to interests with eastern Poland. The plans of Punske, Biala Podlaska, Zamosc, Pulawy, and other towns show that in 1992 it may be better, that more interested parties will come to meet with Polish businessmen. That is a good way to start business deals.

Speaking of creating an effective infrastructure for cooperation, an important problem is the transformation and expansion of a network of Polish economic and trade facilities in the “new” markets of the Eastern countries. The fundamental question:

What Kind of Facilities?

Beginning with 1992, they must be different and there must be more of them in comparison with the number of countries. There is a need for a fairly basic change due to the completely new conditions for operating on the post-Soviet market and due to the need for effects of the facilities that differ from previous ones. The issue of increasing the number is not disputed. The formation of sovereign, independent states from the Soviet macro-organism, where their political status has changed, where new economic systemic conditions specific to each of the countries are developing naturally creates a need for the presence there of a Polish trade representative. Not simply for representation but for good contacts with the governments of the countries, with those making decisions in economic affairs and foreign cooperation, for good knowledge of the area of action for the benefit of Polish economic units.

The Bureau of Trade Counsel in Moscow and a few other trade sections in general consulates do not suffice. One must go out further from the center of the superpower, from Moscow, and be present in the individual countries and in important economic regions of Russia or Ukraine. Then, where? Without deciding anything, there ought to be facilities of the level of a bureau of trade counsel in Kiev and Minsk. Such facilities should also be formed in Wilno and Riga. Trade representatives should be established in the Central Asia region, for example, in Alma Ata and in the Transcaucasian region. Trade representatives could also be located, for example, in Novosibirsk or in Kaliningrad.

There are already examples that other postsocialist countries, including Czechoslovakia, have taken such actions. We will perhaps not be the first in geographic transformation, but we should also not be the last.

A second trend, surely more difficult, should be a change in the tasks of the economic and trade facilities. This process was begun more than a year ago. The Polish facilities are to reorient their activities toward informational and promotional services for the economic units. The object of the information and the analyses we develop should be the priority import needs of partners and new opportunities for exports, evaluations of demand and supply, of openness, of competition, of sales and buying opportunities for goods, of barriers, and ways to overcome them. There is a great demand for quick, accurate information on the decisions made concerning systemic and economic measures introduced in particular Eastern countries also for the use of domestic exporters and importers. Knowledge of these measures in the sphere of foreign trade, legal, financial, banking, and customs provisions will facilitate cooperation with Eastern partners.

On the other hand, the facilities should be well oriented in what is happening in the economy of their own country, what opportunities for cooperation between

Eastern partners and Polish economic units there are. And this knowledge is not always the best.

In conclusion, 1992 in trade with the Eastern countries will be a period of strengthening new market principles and settlement in practice. There are still more problems to solve than positive accomplishments. I would not expect, however, radical changes in the conditions of cooperation. Conservatively, the level of turnover with the countries of the former USSR should be on the order of \$3.5 to \$4 billion.

A fairly significant negative balance of trade is expected. Barter transactions will continue to dominate. A continuing high level of activity by Polish economic units in making contacts with partners beyond the Bug will be a positive phenomenon.

Effect of Government Economic Program on Budget

92EP0299A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25 Feb 92 p 1

[Article by P.A.: "Government on the Budget; How Many Billions To Be Cut?"]

[Text] The budget deficit should not exceed more than 5 percent of the GDP [gross domestic product], or about 65 trillion zlotys [Z]. Several weeks ago, preliminary budget projections suggested that, in the absence of extraordinary decisions, the deficit will come to Z115 trillion. It is difficult to estimate the budget after the "Theses," given the general nature of some proposals. However, if two lists were to be drawn up, those of additional revenues and of additional expenditures, the latter would be longer. If the deficit came to, say, Z130 trillion, it would be precisely twice as high as the permissible level.

For example, the range of increases in official prices on a "moving-average" scale, which are closely tied to the extent of subsidies, are not clear. So far, it has only been announced that passenger fares of the PKP [Polish State Railroads] and the PKS [State Motor Transport] will go up by 30 percent as early as 1 March, in keeping, therefore, with, shall we say, the old arrangement. Minister of Construction Andrzej Diakonow announced that rents will double, but did not specifically mention when. Moving-average prices which are changed once a quarter, and which lag behind inflation, are likely to mean the growth of subsidies for hot water and central heating by several trillion zlotys. The CUP [Central Planning Administration] admits that there is a problem.

According to the "Theses," the comprehensive establishment of the turnover tax will result in increasing revenues. If it were to be levied on the rest of the services effective 1 April, and on food effective 1 July (which apparently is what the CUP is leaning toward in view of a seasonal decrease of inflation in summer), the proceeds might be lower than are necessary to rescue the budget. It is all the more likely because the working proposal of the

CUP is to set the rate of the turnover tax on foodstuffs at "up to 5 percent" rather than the previously expected 5 percent, in view of the smaller inflationary effect.

In turn, it is easy to calculate that a reduction of the dividend to 10 percent, effective 1 April, will cost about Z2.5 trillion. As far as a provision on the proceeds of the budget from privatization is concerned, it calls for a clear-cut interpretation; otherwise, there may be a suspicion that, in essence, the "Theses" will restrict them.

The consequences of restricting the rate of the tax on above-the-plan growth of remunerations are not fully known yet. However, the CUP maintains that these changes, on the whole, should even have a favorable effect on the budget, in view of expanding the tax base at a lower rate.

Proceeds from the luxury tax will not be great unless the notion of luxury turns out to be extremely flexible. However, it appears that neither the CUP nor the Ministry of Finance have such intentions.

A provision on guaranteed minimum prices in agriculture may prove costly if the Agency for Agricultural Marketing is to conduct effective interventions. The combined transfers to agriculture will be a very significant item in the budget, given the artificially low taxable profits in this sector. Subsidies for the pension fund of farmers alone are to come to about Z25 trillion, whereas payments by the farmers themselves are to be 10 times less.

Special credit lines at a preferential rate of interest will likewise require subsidization from the budget. To be sure, some of them already exist. However, in combination, they would call for greater subsidies than has been the case.

It will be hard to convince the Sejm to adopt a system for cost-of-living adjustments to retirement benefits only twice a year. If this does not succeed, subsidies for [social security] insurance will most likely have to increase still further, certainly by about Z5 trillion.

On Tuesday, the Council of Ministers will discuss budgetary provisions. The finance establishment has approximately one month to compile the budget.

Russian Oil, Gas Import Quantities, Payments

90EP0290B Warsaw RYNKI ZAGRANICZNE in Polish No 25, 27 Feb 92 p 3

[Text] The Ministry of Foreign Economic Relations has informed us that a delegation of the ministry and the Commerce Bank in Warsaw, Inc., in accord with prior agreements, conducted negotiations with the State Committee for Economic Relations with Foreign Countries and with the Ministry of the Economy and Finances of the Russian Federation on increasing imports of natural gas and crude oil from Russia in 1992 and on the mechanism for settlements attached to the Intergovernment Protocol of 24 December 1991.

The talks confirmed annual shipments of gas at a level of 6.62 billion m³ and included the possibility of increasing them to 7.1 billion m³ if agreement by the interested Polish and Russian organizations on the exchange of rail tank cars for the additional quantities of gas is reached.

Agreed to increased imports of crude oil by 2 to 3 million tonnes, to a total of 7 to 8 million tonnes, was also reached.

In return, Poland will supply 2 million tonnes each of coking coal and coke, 100,000 tonnes of sulphur, and \$134 million of pharmaceuticals. The Polish shipments are to be directly financed by income (40 percent) from the Russian exports through an "A" account at the Commerce Bank.

The remaining 60 percent of the income as the property of the Russian exporters will be deposited in a so-called B account at the Commerce Bank. For a limited period of time these funds can be spent on the Polish market for goods of interest to the Russian firms.

Exports of food will be carried out as they have in the past through settlements conducted by the Bank for the Development of Exports and the Wneshekonombank.

The agreements at the talks were confirmed by an exchange of letters which were initialed. They should be signed during the first half of March 1992.

Bank of Central Europe Considers Office in Warsaw

92EP0284B Warsaw RYNKI ZAGRANICZNE in Polish No 26, 29 Feb 92 p 2

[Article by (OM): "The Bank of Central Europe in Warsaw? The Business Forum on Cooperation in the 'Triangle'"]

[Text] On 28 February, the Central European Business Forum began two days of talks in Warsaw. Delegations of national business clubs participated, as did representatives of the Polish, Hungarian, and Czech and Slovak governments. As the meeting participants point out, the Forum is an association of business clubs working for that region of Europe's economic integration, which is necessary for swift and effective linkage to the European system of economic organizations.

In the conference's program, besides formal matters such as election of leadership and approval of the association's international statute, there were such issues as a resolution to draw up, with government participation, a list of economic barriers which hinder the exchange of goods, capital, and investments between the countries of the triangle; and the creation of an Economic Council in the Business Forum. The question of creating an economic information bank, which would be a collection of data on firms interested in cooperation between these countries, was also discussed.

The signing of a letter of intent in the matter of the creation of a Bank of Central Europe must be regarded as the most essential matter. It is to be the germ of a banking infrastructure for the region which, after the liquidation of the CMEA [Council for Economic Mutual Assistance], was without financial connections. One of the most important barriers to commercial exchange and, more broadly, to economic cooperation between the triangle countries is the difficulties in settlements arising from the lack of a network of banking services.

The bank is to be a corporation operating with international capital. Open to various shareholders, it will be able to accumulate initial capital from deposits both from the budgets of the countries concerned (initially, 10 million dollars from each of the three participants has been established), and from state and private enterprises, foundations, insurance companies, state, and, private banks, etc.

The Bank of Central Europe [BES] will not perform routine banking operations; national and local banks will attend to those. Rather, it will operate bank accounts, accumulate financial resources in national and foreign currencies, [conduct] financial operations and clearing between economic partners from the three countries, give credits and bank guarantees, issue securities and put them into circulation, as well as offer consulting and marketing operations, and joint initiatives and leasing transactions. It will have at its disposal a group of independent experts to evaluate the technical and economic worth of investment programs presented for approval. One of the fundamental goals of creating this institution, as its initiators point out, is to organize banking and credit services for small and medium-size businesses, and to attract Western capital, more significant than that on which the partners can rely if they act separately.

Warsaw is planned as the headquarters of the Bank of Central Europe.

Polish-American Economic Meeting Previewed

92EP0287A Warsaw RYNKI ZAGRANICZNE in Polish No 24, 25 Feb 92 p 8

[Article by (OM): "Off to Texas With the Polish-American Economic Council, PARG, for a Meeting With American Business"]

[Text] It was more or less a year ago that the 10th session of PARG was held in Warsaw. This session was the first one prepared under the new political-economic conditions. A new formula was also used, inspired and put into effect by the National Chamber of Commerce [KIG]. For the first time in Poland, the representation of the economic self-government replaced high-level government decisionmaking bodies for PARG purposes.

The KIG is particularly concerned with small and mid-size firms which do not yet have their own lobby and

related penetrative power. Consequently, their interests played an important role in PARG for the first time.

The 11th session of PARG, planned for 3-9 May 1992, will be a sort of continuation of the experiences of a year ago. Obviously, new elements will be added to the subject matter of the deliberations, emanating from the progressive changes in the Polish economy in its situation on world markets. This time the meeting will be held in the United States, namely in Washington and Houston. Alternating the location of deliberations between Polish and American cities is nothing new in PARG. This has been done for a long time for various reasons, for example, to make it possible from time to time for those who are interested in Poland but cannot afford an expensive trip abroad to participate as well. Of course, there is also the hope that participants will gain in understanding of the economic realities of the potential contractor's country. Obviously, for the Poles this is available primarily to the wealthiest business people.

As Tadeusz Kopinski, director for Central and East European affairs in the international department of the American Trade Chamber (with which PARG cooperates across the ocean), the May meeting will be devoted to strategic goals of the council, i.e., promoting American investments in Poland and Polish trade in the United States. It will also be devoted to the possibilities of possible Polish investment in the United States.

It is worth taking a look at the program of lectures, discussions and meetings. Thus, on the first day there will be discussion of the possibility of Poland's export to the United States, of investment and of the creation of joint ventures in the United States. (together with the registration of Polish firms). Other topics of discussion will include:

- Taxes for foreign investors, the possibility of tax relief and the required technical standards.
- Tariff and preferential regulations in export to the United States.
- American lines of credit.
- Aid from international financial organizations.
- Institutional and other forms of American assistance for the small and midsize business in Poland (Small Business Administration, Polish-American Enterprise Fund [CIPE]).
- Programs of the government and other American institutions to promote Polish-American trade (the Department of Trade, the Center for International Strategic Studies and the Polish-American Trade Chamber in Chicago).

The next day will be designated for a presentation of the Polish side and for familiarizing potential partners with the developmental strategy contained in the political-economic program of our new government. It will also be devoted to the principles and complexities of Polish privatization and conditions for investment and trade with the United States as well as the development of private banks and projected changes in the banking law.

There will also be an opportunity to hear of the experiences of American firms already operating in Poland up to the present time and the results of the Polish-American support of business through Polish institutions in the United States. A special time is set aside for individual contact between businessmen from the two hemispheres, which may lead to contracts.

Business contacts are also the primary purpose of the trip to Houston, Texas. Above all, the Polish side plans to present offers and needs in the field of agriculture and food processing, light industry, the machine and electrical engineering industries, construction, the power industry, and the petrochemical industry. Representatives of the industrial branches and regional economic self-governments will present their problems. In the Texas program, there is a planned visit to local plants and the NASA Center.

It is expected that approximately 40 entrepreneurs will represent the Polish side. As was mentioned previously, these entrepreneurs must cover their own travel expenses and lodging expenses in the United States. (KIG is registering interested parties). In exchange, participants may expect concrete and certainly profitable contracts right on the spot.

Polish lobbies in the United States, which PARG, among others, has inspired, are making intensive efforts to "push" Polish issues there and to exert pressure on decisionmaking and legislative bodies to encourage them to invest in Poland.

The PARG American section also plans to expand its promotional campaign and system of information in Poland regarding the potential of its business. Thanks to the assistance of KIG, it will open its own office in Warsaw center, probably already in June of this year.

Meanwhile, in the fall, PARG will begin a cycle of management training for business people. During 10-week courses, those enrolled will receive academic level training in business methodology and technology from American and Polish lecturers who have been trained in the United States. The students' final exam will be to prepare a business plan for the use of their own firm, a plan so superior that it could be accepted by every commercial bank in the world.

The course fee is under \$100. Knowledge of English is required. In order to register, one must apply to the KIG in this case as well.

EC Marketing Conference in Warsaw in Apr

92EP0287B Warsaw RYNKI ZAGRANICZNE in Polish
No 24, 25 Feb 92 p 8

[Article by (GK): "Marketplace, or Partners Connecting"]

[Text] On 6-7 April 1992 the Marketplace Conference will be held in Warsaw. The goal of the meeting is to

make it possible for Polish entrepreneurs to find a suitable partner in EEC countries. Similar meetings took place last year in Budapest, Prague, Bratislava, and Warsaw.

According to David Thomas, director of the Warsaw branch of Coopers and Lybrand (organizer of this year's conference), these conferences have been very successful. Most importantly, they have resulted in the establishment of cooperation by approximately 30-40 percent of the firms which have participated in them.

Marketplace is organized and financed by the Economic Community Commission. This year's edition is also supported by the MWGzZ [Ministry of Foreign Economic Relations], the Ministry of Industry, the Ministry of Ownership Transformation and the Organization for the Industrial Development of the United Nations [UNIDO]. All Polish enterprises operating in one of three branches—electronics and electrotechnology, light industry (including subassemblies and light machinery), or the agricultural-food industry and food processing industry—may compete to take part in the conference.

The firm Coopers and Lybrand has sent application forms to 800 enterprises (both state and private) and prospectuses to inform them about the meeting. Several institutions were involved in selecting the recipients of these prospectuses: the Ministry of Industry and Trade [MPIH], the KIG [National Chamber of Commerce], the Private Investors Chamber and the Solidarity Economic Foundation. In addition, interested parties bypassed by these institutions which apply by the end of February 1992 will also be taken into consideration as possible participants in the conference.

Completed forms along with basic data regarding the enterprises are coming in. During the next stage, approximately 150-200 firms will be selected from among those who have applied. At the beginning of March, preliminary consultations will be held with those responsible for applying for these firms. At that time as well, the list will be narrowed down to those 100 firms best qualified to participate in the conference. A basic criterion to qualify is the existence of a potential partner from the EEC who is interested in economic cooperation in the given branch. At the same time, 100 firms will be selected from the EEC. The financial reports of these Western firms are supposed to guarantee their reliability.

The organizers stress that this is not a question only of finding investors or people willing to set up joint ventures. A successful meeting will mean the birth of various forms of economic cooperation, i.e., in addition to joint ventures such types of cooperation as franchising, trade exchange, licenses, and the like. A half-day plenary session will open the Marketplace Conference. During the course of this session both representatives from Poland and from the EEC will inform those assembled about the political, economic, and legal conditions impacting on economic cooperation between both sides.

Afternoon workshops will make it possible for participants in the conference to discuss the technical, financial, and legal problems they encounter in their work in various organizational forms with experts. Three of these workshops will be sectoral in nature. They will focus on current and future developmental trends in three selected sectors of the economy (the electrical-power industry, light industry, and the agricultural-food industry) and also on government policy with reference to these sectors in the area of investment, privatization plans, taxation policy, trade exchange with foreign countries, export-import restrictions, and compliance with international regulations.

Moreover, one of the workshops specially prepared for participants from Poland will have the purpose of explaining how international trade organizations can help find new procurement markets for Polish export. On the second day of the conference, individual meetings will take place between Polish delegates and their potential partners from the EEC who have been brought together by means of data supplied previously by all participants.

All Polish participants in the conference are required to pay a conference fee in zlotys (the equivalent of \$200). The EEC will cover the other costs.

Real Cost of Coal Calculated

92EP0281B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25 Feb 92 p IV

[Article by Aleksander Szpilewicz: "Energy Sector Myths and Facts"]

[Excerpts] Since the early 1970's, hard coal mining was and still is the motor that drives inflation, in line with the saying, "everything is going up, so coal...." The symptoms of the sickness in this area of the economy were and still are, the following:

- The "belonging to no one" status of the reserves and assets of mines that have no real owner.
- The system of management in the famous "Bermuda triangle" which is directed at maximizing wages and branch privileges.
- The state of perpetual waste of fixed assets and employment; for every miner on the longwall or in the stall, there are six helpers assigned to him—three for logistical tasks below and three above ground.
- The anachronistic organization of work by which employees are driven to and from a place where they are told what to do on the job; the derivative—lack of conformity of extraction with seasonal changes in demand.
- The inadequate qualifications of the bookkeeping services; the practice of adjusting costs "after the fact" instead of exercising prior control and maintaining real-time records.

The facts are unequivocal. Sales and productivity are falling while costs are growing in nominal and real

measure. The main item in costs are wages. Their share, despite fees for environmental protection, in the over-proportional growth of depreciation and servicing of capital, remains unchanged. (See Table 1.)

Table 1

Cost of Coal	1990	1991	Percentage Ratio
1. Sales, million tonnes	145	137	94
2. Output tonnes/no. employ./year	400	389	97
3. Cost, trillion zlotys [Z]	26.8	43.2	161
Million dollars	2,821	4,000	142
Including:			
3.1. Wages and insurance, trillion Z	10.5	16.8	160
Million \$	1,105	1,555	141
3.2. Materials and energy, trillion Z	7.2	10.2	142
Million \$	758	944	124
3.3. Regeneration of reserves, trillion Z	4.6	6.8	148
Million \$	484	630	130
3.4. Depreciation, trillion Z	1.2	3.2	267
Million \$	126	296	235
3.5. Remaining, trillion Z	3.3	6.2	188
Million \$	348	575	165
Including:			
3.5.1. Above-norm wage-growth tax, trillion Z	1.5	2.4	160
Million \$	158	222	140
3.5.2. Pollution control, trillion Z	0.6	1.5	250
Million \$	63	139	220
3.5.3. Other, trillion Z	1.1	2.3	209
Billion \$	127	214	168
Subsidy, trillion Z	9.1	5.6	61
Million \$	958	518	54

There is a whole legion of opponents to the above-norm wage-growth tax. But we hear nothing about a binding guarantee that the price of sinking this albatross will be a corresponding growth of productivity (an additional product with a transactional value of \$222 billion, with the same employment). As thus far to productivity in Ruhr coal mines (over 700 tonnes) and in deep mines in Wales (over 800 tonnes)

The complaints of mining Solidarity about the excessive dividend burden and fees for environmental protection are multiplying. What is not taken into account, however, is that the depreciation being paid (currently 7.4 percent of the cost of the coal) scarcely covers half of the

depreciation of the rapidly wearing out mine property, and the easement for environmental protection (currently \$139 million) is a small fraction of the damage being done to the ecosystem by the dumping of salted water, the sinkholes and the waste deposits.

Still no bill is paid for the mined beds. This is the behavior of a bankrupt who eats up his inherited capital at the expense of the next generation. In deep mining this amounts to an average of 5 percent of the value of the extracted mineral ex shaft. In January 1991 prices it amounts to an average of 15.8 thousand Z (\$1.48) per tonne. The bill not paid by the mine is (1991): $15.8 \times 137 = 2.3$ trillion Z (\$203 million).

The conclusion is unequivocal: The real price of coal is higher than the calculated price. What is the matter with prices?

This is illustrated by the December 1991 sales prices referenced to calorific values converted to dollars according to the current exchange rate of 11,300 Z to the U.S. dollar. (See Table 2 [not reproduced here].)

Walbrzych LS01 28.6 Upper Silesia Mining Chamber believes there will be a frontal attack on government policy for maintaining price controls on coal. It is being said outright that the state is cheating the mining sector and subsidizing the entire economy at its expense. We will refer to the undisputed facts:

First, coal is bought for its quality, not for its mass. Energy-sector fines are bought per unit of guaranteed equivalent of heat (as a rule, 266 J per tonne), and coking coal in accordance with the coking-capacity standard, "coking-soft" or "hard." A product which does not meet the standard will not be bought, the same as rancid butter.

Second, dollar prices apply to one-seventh of the coal supply (the "cream"); the domestic market must digest what is left, frequently with complications. The quality of the coal is determined mainly by the bed strata, which has to be accepted and taken into consideration in the mining plan. The price of ordinary milk cannot be compared with the price of cream.

Third, the profitability of coal exports is threatened: the profit yield from export in December 1991 fell below 4,000 Z per tonne (\$0.3), compared with the same month the previous year (36,000 Z per tonne). Land export to the south (Czechoslovakia, Austria, Hungary) continues to be profitable, but demand will not grow (6 mt) until the "Polish-Polish" competition of newly licensed (under the slogan of liberalization) exporters disappears. We are losing the markets of the EEC and Scandinavian countries supplied from port facilities through exploitation of mining prices, freight costs and port fees, in favor of cheaper competitors. There is a chance that sales here will grow.

Fourth, transaction prices are falling. Everything indicates that this year's contracts will bring a drop in the

price of energy-sector coal on the order of \$0.5, and coking coal on the order of \$1.0 per tonne, compared with last year's prices. Current mine sales prices (main exporters) have crossed the Rubicon of repayable export to the main (northwest) sales market via coastal ports. (See Table 3.)

Only the facts count. Beliefs in myths are dangerous. The government must keep prices under control and the mining industry must reduce costs by lowering prices. [passage omitted]

Table 3

Transaction Price	(1991)	U.S. Dollars/Tonne	Freight ¹ (U.S. Dollars/Tonne)	Borderline Sales Price (1,000 Zlotys/Tonne)
Coal, total	48.76	10.00	38.76	43.8
Including:				
Power industry fines	39.97	10.00	29.97	338
Coke (type 35)	53.09	10.00	43.09	487

¹Together with port fees in the northern direction; the thesis that coal is "undervalued" is a misapprehension.

Kwidzyn Pulp-Paper Mill Privatization Dilemma

92EP0293B Warsaw GAZETA WYBORCZA in Polish
9 Mar 92 p 15

[Article by Pawel Wujec and Andrzej Szafarowicz:
"Paper for Sale, or the Two Sides of Privatization"]

[Text] Kwidzyn—The government wants to sell a large factory, one of the largest in its sector, with a modern machine stock and good prospects. There is no lack of Western contractors. It would seem that nothing is simpler. Yet privatization has been going on for over a year. The factory in question is Cellulose Kwidzyn.

Kwidzyn is a town of 50,000 in Elblag Voivodeship. Nearly every tenth resident is employed at Cellulose, as they call the Paper Factory here. The Cellulose Paper Factory, put into operation in the early 1980's, is the most modern, and one of the two largest enterprises of that sector in Poland.

Cellulose has a decisive influence on the life of the city. It is enough to say that half of the gmina's budget consists of income from taxes paid by the factory. Meanwhile, part of Cellulose's Board of Supervisor's, union leaders, and many of the factory's employees are of the opinion that, as the result of sluggishness in the process of privatization, the firm is on the edge of bankruptcy.

The First Step in Privatization

The first stage of privatization is commercialization of the enterprise, which means its conversion into a sole corporation of the state treasury. Commercialization is a change of signs which by itself does not do much, but which everyone likes. The ministry can say that privatization of a new firm has begun; the factory no longer has to pay the dividend; employees expect a quick privatization and, of course, a raise.

The problem is that until mid-1991, commercialization was often performed helter-skelter, without a thought as to what to do with a given firm next.

This is what happened with Cellulose. The Kwidzyn factory was converted into a sole corporation of the state treasury over a year ago, 6 January 1991; for the next three months, nothing happened. Jacek Korpala, director of the department of capital privatization in Bielecki's government, who conducted the privatization of Cellulose, explains the delay by the necessity of settling organizational matters in the ministry. He admits that Cellulose's employees might bear ill feelings about the delay, but he emphasizes that, since May 1991, everything has gone according to plan.

At the Edge of the Chasm

Despite this, Cellulose is still, 14 months later, just a corporation of the state treasury. It is not difficult to guess what the moods are among the employees. The following letter was addressed to the president, prime minister, and the editorial boards of Warsaw newspapers by three trade unions, Solidarity, OPZZ [All-Polish Trade Unions Agreement], and Kadra:

"The work force of the Cellulose Paper Factory Corp. in Kwidzyn is frustrated, deprived of pay raises owed it for 14 months, and brushed off month after month by the Ministry of Ownership Transformation with assurances that privatization will occur in the near future; it is resolved to use the ultimate means which laws in effect in Poland guarantee. The effects of these actions may be incalculable."

In the opinion of Cellulose's employees, the delays were caused by incompetent, sluggish, dishonest bureaucrats from the Ministry of Ownership Transformation.

The Year of Paper Life

It angers the employees that they did not receive raises because of the slowing of privatization.

Over the last year, the economic situation of the factory has gotten much worse. There is no money even for upkeep; the machine stock is deteriorating. There have been no pay raises for a year, so the cadre of skilled workers is leaving for private firms: The operators of automatic machinery to the Philips television factory, built recently just beyond Cellulose's walls, while the sales representatives leave for the vigorous Modex.

And yet Cellulose is trying. "Last year," says Andrzej Wypych, chair of Cellulose's board of supervisors and a union activist, "production surpassed the planned amount, and there was a reduction in personnel. We are competitive with foreign paper mills."

All this, however, is not sufficient. Cellulose has enormous problems with getting payments from its contracting partners. Last year, they owed the firm 280 billion zlotys. The domestic market is not protected against a flood of paper from Western factories. Moreover, despite the fact that paper from Kwidzyn holds its own with the products of some Western paper mills in terms of price and quality, it often pays off better to buy paper in the West and print a book or periodical there. The cost of printing in the West is much lower; it pays off even to buy paper a little more expensive there, rather than to print in Poland, or bring paper from Kwidzyn.

Almost no one at Cellulose doubts that swift privatization would improve the firm's situation. The factory needs an investor who would be able to, for example, increase exports, linking Kwidzyn paper to the investor's worldwide network, giving it access to new markets.

In Andrzej Wypych's opinion, excessive tax burdens imposed by the state treasury (Cellulose pays, for example, an enormous transaction tax) also influence the factory's situation. "Do the people in Warsaw only want to bring the most modern factory in the sector to ruin?" he asks.

A Bureaucrat Is the Best Whipping Boy

Representatives of the Ministry of Ownership Transformation claim that the factory is not threatened with bankruptcy, though they admit that its condition is not the best. The paper industry across the world is undergoing a recession, while in this country, buyers are late with payments. In their opinion, however, the [factory] administration and the board of supervisors, and not the ministry, are responsible for the results of the corporation. Jacek Siwicki, vice minister of privatization in the Bielecki government, points out as well that the chair of the board of supervisors, instead of representing the interests of the owner (that is, the state), attacks it. In his opinion, if Mr. Wypych does not agree with the owner's policy, he should submit his resignation, and not criticize.

There is no way to identify the guilty party unequivocally because it is difficult to judge whether the incompetence of the administration, the inconsiderateness of the state

bureaucrats, or a higher force—the generally bad economic situation—played the greatest role in Cellulose's crisis. Yet it should be in the state's interest to sell Cellulose as quickly as possible. Then the work force could blame only itself and the new owner for eventual ill fortune.

It Is Easier To Sell a Syrenka Than a Rolls-Royce

Cellulose's employees have bad luck, because they work in a large, good factory which is in a temporary economic collapse, but which has prospects, and is not bankrupt. For it is technically the easiest to privatize small or medium-sized enterprises which are going to seed. The firm is liquidated, and its property—buildings, machine stock, the land, cranes, transport, the health clinic—are sold or leased. Often a new enterprise emerges on the ruins of the bankrupt one.

It is much more difficult to give into private hands a large firm in pretty good economic condition. One must find a good partner, who satisfies the state treasury, who assures the workforce of a place to work, and who assures that the factory will develop. A mistake in negotiations can be painful both for the state and for the corporation. After all, one privatizes only once.

If You Privatize, Then in Groups

In some cases, privatization is swift and spectacular; more often, however, it reminds one of the drilling of a tunnel. From outside nothing is visible, while inside, work is feverish. This is especially true when many enterprises at once are being transformed.

In the opinion of bureaucrats of the privatization ministry, one cannot sell off the best corporations just any old way. And if many corporations of the same industrial sector are being sold, it is necessary to think over to whom and why they are to be sold. It is necessary to find the optimal privatization strategy, which will make improvement of the situation possible, and enable the privatization of worse enterprises from that sector as well.

The Ministry of Ownership Transformation, therefore, has developed a program of sectoral privatization, embracing the more important factories of a chosen industry. Western banks and consulting firms have been preparing for the privatization of 34 industries.

The experts were first to develop economic analyses of an industry, prognoses of development in industry sectors, and proposals for tariff, tax, and credit policies which would be optimal for a given industry. Later, they analyzed the situation of given enterprises, evaluated their worth, indicated the best way to privatize, and looked for contracting partners.

Sectoral privatization was also to bring about an acceleration of transformations, but more than half a year after the beginning of this program, it is impossible to say if this has happened. In several sectors (industrial

chemicals, brewing), privatization has in fact picked up speed; in many others, however, a standstill yet holds.

Behind Closed Doors

Cellulose was privatized under one of these sectoral programs. In May 1991, the English Hambro's Bank, which won an auction, organized by the privatization ministry, for the privatization of the whole cellulose paper industry, began work. The analysis of the sector, and proposals for its privatization, were ready in September. In October, potential buyers understood that upon making promises, they would keep commercial secrets, so-called informational memoranda; they could also visit the factories. In January, the deadline for making offers passed; detailed negotiations are now in progress.

The discussions are, however, taking place behind closed doors. It would surely be easier for Cellulose's employees to accept the complexity of privatization if they could take part in the detailed negotiations. Representatives of the Ministry of Property Transformations claim, however, that this is impossible for several reasons.

First of all, the commercial secrets are binding. As Jacek Siwicki explains, neither the factory director, nor the employees are the owners of the enterprise. If they do not keep the secrets, and reveal, for example, how much the factory is estimated to be worth, not they but the state treasury bears the costs.

Second, employees often are on the side of one of the investors, thus becoming a source of pressure. And it is much more difficult to privatize under pressure.

Third, in order that privatization is efficient, the negotiations must be two-sided, between the owner and the potential buyer. This principle is not the invention of technocrats from the ministry; it has been binding in all states which have decided on mass privatization.

And finally—what is probably most important—the strategic interests of the state are often in conflict with the interests of the work force. The employees want the factory to be sold as cheaply as possible, for then they will have to spend less money on the purchase of the pool of shares designated for them. The director also hopes for a fall in the value of the enterprise, for then his manager's packet [of shares] will be cheaper. The investors also want it to be as cheap as possible. Only the state strives to achieve as high a price as possible. This is why the negotiations take so long.

Quickly Is Easier Than Slowly

In Jacek Korpala's opinion, the privatization of Cellulose is an argument against those people who accused the Bielecki government of inconsiderateness, ill will, and selling Polish factories for nothing to foreign capital. "If this was really our intention," concludes the department director, "then Cellulose would long ago have become private."

It seems, however, that there were so many conflicts between the the privatization ministry and the work force at Cellulose that no explanations can be of help any longer. The only solution is the sale of the corporation. Though negotiations are already in their final phase, there is no way of saying with certainty when they will conclude. Jacek Korpala, who submitted his resignation not long ago, predicted that the privatization of Cellulose would be completed by 1 April. The decision, however, belongs to the new leadership of the ministry.

The employees at Cellulose want privatization as quickly as possible, and are virtually certain that the factory's situation will improve after its sale. Yet privatization is not the golden key to prosperity: it is only a change in legal form. It brings certain financial concessions, but nothing else changes from one day to the next. There remain the same buildings, and the same machines; the competition does not disappear. Privatization creates a chance, of which the enterprise may, but does not at all have to, take advantage. In the West, 80 percent of newly founded firms go bankrupt. One must not fear privatization, but one cannot also approach it with boundless faith that it will bring success.

Difficulties in Building Civic Society Viewed

92EP0277A Warsaw GLOB 24 in Polish 21-23 Feb 92
p 2

[Interview with Dr. Piotr Glinski, cultural sociologist, Department of Civic Society, Institute of Philosophy and Sociology, Polish Academy of Science, by Barbara Drozd; place and date not given: "With a Projection Toward Europe"]

[Text] [Drozd] Intention toward Europe, return to Europe, integration with Europe.... These catchwords have risen to dizzy heights in Poland. I think there is no single definition of Europeaness. What substance do you put under this concept? What criterion do you consider crucial for Europeaness?

[Glinski] Speaking of European societies, I think primarily about civic societies. Our Department of Civic Society is involved just now in a study of Polish society with regard to the standards and attributes of a civic, or mature society, from a European point of view.

[Drozd] Are the Poles very backward in this civic-mindedness?

[Glinski] Very. Our stormy history determined this. In the last several hundred years, Polish society had only short periods when it could somehow be stabilized. This occurred once towards the end of the 19th century, and the second time in the 20 years of independence between World War I and World War II. It can be said, paradoxically, that the Polish norm was abnormal times, violent changes, a boiling crucible. There were no conditions for teaching and strengthening of social, political, and economic, as well as cultural and moral, norms. While in the West these norms, binding together the lives of societies,

became firm and stronger through social acceptance, in our country there was, and still is, much frustration with them, and they are continually lacking in synonymity and obviousness. In my opinion, this is the worst baggage of the Poles and hinders entrance to Europe the most.

[Drozd] Our history is not only uprisings, annexations, and wars, but also economic handicap. Did this also shape a model of the Pole that is different from the European model?

[Glinski] Obviously, both the standard of living and the economic culture are derived from the economy. In particular, the years of the nationalized, centralized economy removed us from Europe. In the West, society is organized around a market economy and private property, which form the bases for creation there of a middle class, the most numerous, and a wealthy class, which stabilizes the entire structure of society and dictates the conditions of its development.

[Drozd] Recently we have been talking a lot about a middle class, even favorably.

[Glinski] It's true that the private sector is growing rapidly today in Poland, but the new class of people getting wealthy is not a middle class in the European understanding. In sociology, there is already a term, coined by Jadwiga Staniszkis, of "transfer class," which gains its economic position by cunning use of the transformation processes. This is a group of people who get wealthy rapidly and greedily, and who decide on illegal risks in order to grab plenty for themselves, to make a fortune as quickly as possible, then to close up shop and disappear. This has nothing in common with the European middle class, which plans its economic activities over the long term, taking care of the development and solidity of the business.

I would not like this to sound like pretension or a reproach to society. We are in just such a situation as this; we have neither a true market economy, nor an important market of interests; thus, the creation of a civic society in these concrete conditions is extremely difficult.

[Drozd] Is the market of interests a concept that goes beyond the economic sphere?

[Glinski] A civic society is characterized by a distinct market of interests; individual social groups have different interests, are grouped all around these, and are able to articulate them, to strive for them through local organizations, professional societies, and finally, through political parties. This mechanism is not functioning here; it is barely born.

Election campaigns have shown that our political parties are not able to appeal to their own clientele, want to exist in the name of everything, are not derived from social, working class movements, and do not have a social base. An example is the ecological parties, which have not won

a single seat in parliament. It turned out that they did not have support in the authentic ecological movement, functioning all the same at the grassroots level. If several well-known politicizers create a canopy party, this is still not civic activity.

[Drozd] How do you explain this?

[Glinski] In building social structures, we have taken a shortcut in Poland, skipping a very important intermediate step in Europe between the local, working class movement, and the creation of political parties. Therefore, we have parties without a social base, although it potentially exists. Observers of the Polish political scene are surprised, for example, that there is no strong, leftist political party in Poland, although it would seem that it would have a large clientele. It is similar with young people, who are completely unorganized politically today, the group that boycotted elections in the greatest numbers. These are all examples for the nonexistence of the market of interests, but then both the class of large-industry workers, which felt itself on the periphery of change, as well as young people, have their own distinct interests, just so much that they are not organized all around them, and are unable to manifest and realize them.

[Drozd] From what you are saying, the image of European society appears as a miscellany of segments, a miscellany of groups of diverse interests. And yet, this does not lead to chaos and crisis, but harmonious cooperation. How does this happen?

[Glinski] A civic society respects law and consents to the operation of the mechanisms of law and democracy, and to the rules of the game. The rules exist and are criticized, but ultimately it is known, because experience prompts this, that they are efficient, and so it is worth it to conform to them. The rules of the political game are the norm, accepted by the great majority of the citizens. Our lack of respect for law and the rules of the game very much dim the prospect of rising up to Europeaness.

[Drozd] What role in this canon of civic virtues do you ascribe to the ability to compromise?

[Glinski] This is one of the norms of a civic society. I would call it the capacity for a certain humility, for going halfway, relinquishing part of one's own rights and demands. Compromise has a bad reputation in Poland; it is perceived as just short of treachery. The dignified approach to conflict dominates, which in practice prevents the inclusion of compromises. This difference is explained by the existence in the West of very many institutions seeking consensus—mediatory, arbitration, even prophylactic institutions, disposed to the reconciliation of incompatible demands. We do not have this. We feel offended and break off talks.

[Drozd] In your research, have you encountered signs of civic virtues familiar to today's Poles?

[Glinski] I consider as the main civic virtue the readiness of the people to serve wider society, and readiness to recognize general social preferences. One can already see that in many social movements of the working class. I am convinced that young people involved in them have just such an attitude. These young people are interested in something more than discotheques and dance parties; they strive for certain values, that is, values important for them in life. Quite a lot of such people belong to various religious and parareligious, self-help, and ecological groups, and also scouting organizations. When the facade of pretentiousness and ambitiousness fell away from so-called social work, there appeared people who really want and do something for others. And this is our glimmer in the tunnel.

[Drozdz] In sum, you have given Polish Europeanness an unsatisfactory mark. What are the chances for the future?

[Glinski] Social practice is the chance. In a natural way, we are doomed to live with each other in a local community and in an entire society. The knowledge of our own backwardness and shortcomings should not immobilize us. We must go forward. But these changes will be tallied for generations.

Much would also depend on the political elites. It is time for us to think this over. If we want to change Poland into a truly European country, then we cannot think only narrowly economically, and believe that economic reforms will make everything easy. However, in order for political elites to understand this, they themselves must come from authentic social movements, and, as we know, it does not always happen this way. It is hard to pin some hopes on the formation of a civic society from a people known mainly for the fact that they want to obtain high positions. One can only hope that the next elites will emerge in a more normal and civic way, and will be more sympathetic to the thus understood Europeaness.

POLITYKA Weekly News Roundup: 1-7 Mar
92EP0278A Warsaw *POLITYKA* in Polish No 10,
1-7 Mar 92 p 2

[Excerpts]

National News

[passage omitted] Radek Sikorski (age 29) has been named deputy minister of national defense. He was chairman of the high-school organization of Solidarity in Bydgoszcz; in 1982, he received political asylum in England and studied philosophy and political science at Oxford. In 1986, 1987, and 1989, he was in Afghanistan and fought as a volunteer for the antigovernment rebels. In 1989, he returned to Poland and worked for English-language publications as a representative of the Murdoch press organization for Eastern Europe. [passage omitted]

The National Bank of Poland has devalued the zloty in relation to a basket of foreign currencies. The value of the zloty declined by 12 percent. The dollar in exchanges has reached 13,050 zlotys [Z] bid and Z13,280 asked during the last few days in Warsaw. At the National Bank of Poland, the rate is Z13,219.

In the Sejm, the Democratic Union (UD) has proposed to form a new coalition based on all groups in the Sejm. Beside the Union, the liberals and "both beers" voted for the motion. The clubs of the government coalition, the Polish Peasant Party, and a portion of the Alliance of the Democratic Left (SLD) voted against it. The motion failed. [passage omitted]

The most recent by-elections to the local self-governments drew a moderate turnout: an average of 20.52 percent in the single-member districts and 17.83 percent in the multiseat districts. The Citizens' Committees got the most candidates through (48.7 percent, 123 candidates, 60 seats); the Liberal-Democratic Congress (KLD) the fewest (10 candidates, all lost). The Confederation for an Independent Poland (KPN) also did poorly (17 candidates, two seats). The Polish Peasant Party was also very successful (151 candidates, 56 seats). The Alliance of the Democratic Left (SLD) was third behind the Citizens' Committees and the Polish Peasant Party.

In an interview with TRYBUNA, Jacek Maziariski, the chairman of the Main Board of the Center Accord (PC):

[TRYBUNA] There are at least two fractions that identify with the Catholic Church in Poland. One is led by Prime Minister Olszewski; the other, by Jaroslaw Kaczynski. One gets the impression that both of the fractions are participating in a peculiar race for the blessing of the primate.

[Maziariski] Both fractions long ago received that blessing, and there is no need for a race. Both are received on Miodowa (the office of the primate—editor's note). I can, however, with all certainty say that there is no pressure by the Episcopate to shape political life in Poland. [passage omitted]

For RZECZPOSPOLITA, the Sopot Institute for Sociology, researched the topic: "In order to protect jobs, does the state have the duty to financially support factories even if they have no chance of becoming profitable?": 39.1 percent said yes; 37.2 percent said no. Unskilled laborers (54.8 percent), retirees (51.3 percent) and the unemployed (47.9) answered yes most frequently. Students (61.3 percent), those employed in the private sector (51.7 percent), and those with a higher education (50.7) answered no most frequently.

Debtors' Party. The mayor of Warsaw-Center City complained that parties and social organizations using space are behind on their bills for services. The Mazowsze Region of Solidarity owes more than Z1.634 billion for its space on Okolnik; the Confederation for an Independent Poland (KPN) owes nearly Z130 million for its

space on Nowy Swiat; and Z265.5 million for the editorial offices of RAZEM (purchased from the Liquidation Commission for the Workers' Publishing Cooperative Prasa). The Union for a Real Politics owes Z85 million; the Polish Peasant Party Solidarity (PSL "S"), Z58 million; the Christian National Union (ZChN), Z22.7 million. The mayor said the matter will be submitted to the courts.

The presidium of the Coordinating Commission of Solidarity was dissatisfied with Lech Walesa's meeting with the leadership of the OPZZ [All-Polish Trade Unions Agreement]. The union spokesman said: "The intention of appearing in the role of mediator between the OPZZ and NSZZ Solidarity was declared by the president without our knowledge and we regard it as unwise." Marian Krzaklewski, the union leader, said: "As long as I am chairman of this union, I will not meet with them.... Our union sees no need for mediation."

Marcin Gugulski, government spokesman, said that the charter of the Christian National Union (ZChN) does not contain a provision for suspending membership. As a result, he regards his previous declaration that he is suspending his membership in the party while spokesman as null and void.

Who's News

Zenon Smolarek (age 54), a lawyer and since 1990 voivodship commandant of police in Poznan, has been named main commandant of the State Police. He announced he will put things in order, but "the changes will not be done by revolution and those who fear great personnel changes are wrong." The prime minister proposed Andrzej Olechowski to fill the position of secretary of state in the Ministry for Foreign Economic Cooperation. It was accepted by the Sejm that the president has again nominated Dr Hanna Gronkiewicz-Waltz to be president of the National Bank of Poland. On 18 December 1991, her candidacy did not receive the required number of votes in the Sejm. She is a doctor of law, works at Warsaw University, and is an adviser to the Supreme Chamber of Control. [passage omitted]

Opinions

Jaroslaw Kaczynski, leader of the Center Accord (PC):

(Interviewed by Jerzy Palosz, GAZETA KRAKOWSKA 25 February 1992)

[Palosz] Is there a conflict between you and Prime Minister Olszewski at present?

[Kaczynski] I would not consider it a personal conflict. The Center Accord is satisfied with its position in the government. We have the economy on our mind. Not because we won it, but because of a lack of competition.

No one wanted that area. On the other hand, in the political sphere, we received nothing, in spite of solemn promises.

[passage omitted]

Jerzy Czajewski, a reader of PRAWO I ZYCIE from Szczecin:

(From a letter to PRAWO I ZYCIE 29 February 1992)

"Recently, journalists have been writing about the aristocratic titles of some public persons. They are either a result of the lack of awareness of the writers or of a usurpation. More than 25 years ago, Szymon Konarski, a Polish scholar of heraldry who died in emigration, published two books on the titled Polish aristocracy.

"Among the living pseudocounts, the author listed, among others, the Niesiolowski's, the Rostworowski's, and the Malachowski's....

"As Konarski noted, as the number of titled families declined for biological reasons, the number of pseudoaristocrats increased. Currently for the 98 genuine noble families, there are 163 usurper families. Surely in accordance with the principle that bad money drives out good money."

Krzysztof Krol, deputy, chairman of the club of the Confederation for an Independent Poland (KPN):

(Interviewed by Henryk Sroczyński, GLOS PORANNY 8 February 1992)

[Sroczyński] Would the Confederation for an Independent Poland like to form a new coalition?

[Krol] We would be a little afraid of that, but we will not avoid entering a coalition in which there is a clear division of authority.

[Sroczyński] Would Mr. Moczulski have a chance to become prime minister?

[Krol] I think that if the trend toward greater support for the Confederation for an Independent Poland continues and if we note a continued decline in the prestige of others, including that of the president, of the government, and of the political parties, then Mr. Moczulski has a chance to become prime minister.

Marek Talasiewicz, voivod of Szczecin:

(Interviewed by Bohdan Onichimowski, GLOS SZCZECINSKI 13 February 1992)

[Talasiewicz] Our dilemmas concern the choice between German capital and other capital. And wherever I can, I emphasize that they are political, not economic, dilemmas. If we have a choice between German capital and other capital on the same terms, I think we should choose other capital. [passage omitted]

NATO's Woerner on Security Cooperation

92P20230A Bucharest *TINERETUL LIBER*
in Romanian 31 Mar 92 pp 1-2

[Interview with NATO Secretary-General Manfred Woerner by Aristotel Bunesu; place and date not given: "If Romania Remains Involved in a Democratic Reform Process, It Will Play a Constructive Role in the Community of Free Nations"]

[Excerpt] [passage omitted]

[Bunesu] In your opinion, what are the principal political, economic, social, cultural, and environmental problems which we must resolve so that all people will have equal opportunities to live a better life?

[Woerner] The changes which occurred in Europe after 1989, the elimination of antagonisms between East and West, the other democratic processes, the important successes in the area of arms control, the adoption of the Paris Charter, developments in the CSCE [Conference on Security and Cooperation in Europe] process and in the area of regional cooperation have given emphasis, in particular, to the security of all states of the continent. However, it would be unwise to consider that the risks have disappeared completely. Today, security and stability are based on a broader concept which, in addition to defense, includes political, economic, social, and environmental issues. In this agenda, regional and interethnic conflicts, serious economic disparities, problems connected with emigration, with the proliferation of weapons of mass destruction, and acts of terrorism are the main problems which we must face. All the states must cooperate and must coordinate their efforts, bilaterally and multilaterally, to achieve a final solution for all these problems.

The progress obtained in the area of security during recent years presents excellent prospects for the future. The international community should take full advantage of this in order to make a better world for future generations. I am optimistic in this regard.

[Bunesu] Mr. Woerner, how do you see the present and the future of Romania, from the headquarters of the organization which you head?

[Woerner] I visited Romania in February for the second time in less than a year. The struggle for democracy and reform has made progress in your country, as the recent elections show. Nevertheless, the forces which oppose change have not completely abandoned their resistance. All the European states have the common task of resolving the problems inherited from the totalitarian regimes and of carrying out to a good conclusion the reforms which are in progress. This requires much energy, tenacity, and courage.

NATO is committed to assisting the Central and East European countries on the road to democracy. This organization is making its experience and competence in different fields available to these states. Since Romania

is one of NATO's partners, it will be able to fully profit, in an equal manner, from this process which presupposes dialog and cooperation. Your country is actively participating in preparatory work in the framework of NATO and is demonstrating its desire to cooperate.

I am convinced that the Romanian people have made their definitive choice on the basis of lessons from the past. If Romania remains committed to a democratic reform process, it will play a constructive role in the community of free nations.

PNL Vice President Discusses Position Toward CD

AU0804160492 Bucharest *ROMPRES* in English
1248 GMT 8 Apr 92

[Text] The April 7 press conference of Deputy Sorin Botnaru, vice president of the National Liberal Party (PNL), has brought further elements apt to define the PNL's position toward the Democratic Convention [CD].

We do not want a dilution of the PNL's identity, underscored Mr. Botnaru adding that his party wishes that a real opposition meant still more in the parliament. By saying that he referred to those parties which actually fought and fight against communism, namely the PNL, the Peasant Party and the Social Democratic Party (PSD). Even if they had different ideology, programs and strategies, in the PNL's opinion they remain linked by common resistance, affinities and methods, stated Mr. Botnaru.

The Democratic Convention has been only an instrument, a conjecture institution in view of local elections. The party's permanent delegation is to decide whether it will partially or totally participate in it in future. The PNL considers general elections as the best test of its credibility, of its unity and assertion of its conceptions, as a European style in Romania's political life.

Added to such ideas and an orientation toward a breach between the PNL and the Democratic Convention were Mr. Botnaru's assessments of PNL's position regarding the Democratic Union of Hungarians in Romania (UDMR) and the Civic Alliance Party. Except for the special relations with the Peasant Party and the PSD, Mr. Botnaru assessed as regrettable the failure to communicate with the UDMR, a party that has proved vague in statements and during certain events.

Another PNL official stated at the same press conference that the Democratic Convention had lost significant votes owing to the UDMR's stance on the assertions made by the Hungarian Parliament and other extremist Hungarian organizations.

Referring to PNL's opinion on the Civic Alliance Party and its Leader Nicolae Manolescu, Mr. Botnaru said: the manner in which we are styled by several members of the Civic Alliance is not understandable. In its latest issue

ROMANIA LITERARA purely and simply attacks the person, which is not a European-like, honest political fight and leads to abnormal ties among allies. Mr. Botnaru also specified that the PNL showed interest in the FSN restructuring, a topic that makes the object of analysis but categorically rejects non-conventional aggressiveness as a method of this party.

In connection with presidential elections, Mr. Botnaru said the PNL was expected to nominate Mr. Radu Campeanu, and if he refused, another candidate would be proposed from among that party.

PAC Vice President Views Cooperation Within CD

AU0804173392 Bucharest ROMANIA LIBERA
in Romanian 1 Apr 92 pp 1, 3

[Interview with Alexandru Popovici, vice president of the Civic Alliance Party, by Sorin Rosca Stanescu; place and date not given: "On Joint Lists"]

[Text] [Stanescu] How do you view cooperation within the Democratic Convention [CD]?

[Popovici] With the exception of minor local misunderstandings, especially connected to the relations between people and not parties, the cooperation during local elections was generally positive, as the results confirm. I want to make a special comment on the position of the National Liberal Party [PNL], which, as a matter of fact, has always had one foot inside the convention and one foot outside. In those instances in which the PNL participated in the election on the lists of the convention, in general during the negotiations it proved to be a difficult partner. In almost 300 constituencies where it considered itself stronger, the PNL ran with individual, separate lists and the results it obtained were next to nothing. The PNL was successful only when its candidates were on the lists of the Democratic Convention. Probably even a strong and attractive personality, such as Crin Halaicu, could not have been elected Bucharest general mayor if he had not been supported by the entire convention.

[Stanescu] Thus, do you believe that the PNL showed infidelity toward the convention even during local elections?

[Popovici] Facts are facts. During the electoral campaign on television, the Party of Civic Alliance [PAC] and the National Peasant Party used the convention symbol, the key, exclusively, while the PNL used its own symbol of the arrow.

The situation in Sapinta is a telling example. Apart from the convention and front candidates, a third one

appeared on separate lists (certainly a liberal) to mess things up. And, as is known, Sapinta has acquired a symbolic nature. The option should be clear: black or white.

[Stanescu] How do you view the PNL statements that suggest the intention to withdraw from the convention?

[Popovici] First of all, I would like to note that we are talking about the options of the PNL leadership, which certainly are not shared by all members of this party. For the time being, we are talking about these options and I believe that the withdrawal of the PNL will be compensated for because it will open up the possibility for other parties represented throughout the country to join the convention. This will operate exclusively on the principle of a single list. If the withdrawal of the PNL brings about a certain weakening of the opposition, the PNL is totally responsible for it before the nation and history. As a matter of fact, in making such a decision the PNL is practically no longer an opposition party. There is not one single element that would justify such a characterization.

[Stanescu] How will the electorate react to the change in the convention?

[Popovici] The electorate always welcomes clarifications. If political experts, analysts, and journalists are being confused by the evolutions within the front on one hand and the opposition on the other hand, what can the electorate understand? Certainly, the PNL hopes to get stronger by being joined by a party that has resulted from the clashes within the front. It is its problem that in the new situation it should define its options, try to convince its electorate on its position within the current political spectrum, and take responsibility for its decisions.

Top Leadership Cited in Telephone Bugging Case

AU0904123392 Bucharest ROMANIA LIBERA
in Romanian 3 Apr 92 p 1

[Text] Reliable sources have informed AM PRESS about the possibility of a conflict breaking out "at an important level" of certain institutions that have close links with the top leadership. A number of signs indicate that the so called "R" network responsible for "listening to telephone conversations at the Ministry of the Interior, formally subordinated to the Ministry of National Defense, is in fact controlled by General Vasile Ionel and General Penciu, counselors to Romania's president." Attempts to settle this conflict have become increasingly difficult because news of telephones being bugged by the "R" network has leaked out to lower levels as well, and some generals at the Ministry of the Interior "are really furious because their telephone conversations are monitored."

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